

RIBBLE VALLEY BOROUGH COUNCIL



# **PROCUREMENT**

# **STRATEGY**

# **2006-2008**

**V.1.1**

**September 2006**

# INTRODUCTION

## WHAT IS PROCUREMENT?

*Procurement is the process of obtaining supplies, services and construction works spanning the life cycle of the asset or service contract.*

*The term 'procurement' has a far broader meaning than that of purchasing, buying or commissioning. It is about securing services and products that best meet the needs of users and the local community in its widest sense.*

**This strategy provides a common framework within which all procurements by Ribble Valley Borough Council are to be managed.**

## REVISION HISTORY

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# **PART 1**

## **CONTEXT & AIMS OF THE STRATEGY**

### **1. Definition and scope of procurement**

#### **1.1 Procurement – a local definition.**

Procurement is the process by which the Council obtains the goods, works and services it requires in the provision of services to the community. It is about choosing the right model of service delivery under Best Value. This can range from the purchase of stationery used by in-house teams, to long-term contracts for the delivery of front-line services direct to the community.

#### **1.2 Scope**

This Procurement Policy and strategy relates to all goods and services purchased by Ribble Valley Borough Council. This equates to an average annual expenditure in excess of £5 million involving 9,000 separate transactions.

#### **1.3 The Procurement process**

In past years, the Council had not viewed procurement as a separate process, but as part of other specific service related processes. As a result, a corporate approach has not been adopted so far. This strategy is designed to set the direction and put in place the control systems of the process.

In 2005 the Council carried out a Spend Analysis - analysing its expenditure by both value and volume of transactions, The issues identified are set out in section 3 of this context section, "Procurement Challenges".

The Council has identified three levels of procurement, at the top level, whole services are procured. At the second level are one-off or partnership arrangements at a value of over £50,000. By far the greatest numbers of transactions are at the third level: day-to-day purchases of supplies and small services. The Council's "top 5" main contracts are for the supply of buildings and grounds maintenance; equipment, furniture and materials; refuse collection/waste services; transport, purchased contract hire and leases; and advertising, marketing and promotions. Details of the Spend Analysis are provided in Section 3 – 'Procurement Challenges'.

### **2. Key Drivers towards a Procurement Strategy**

There are a wide range of internal and external drivers which shape and drive the need for a procurement strategy. These can be loosely categorised as those forces coming from within the Council (internal drivers) and those from outside (external drivers). These are described overleaf.

## **2.1 INTERNAL DRIVERS**

The Council has already a track record of a flexible and innovative approach to service procurement, albeit, unguided so far by a comprehensive strategic approach. The following range of internal factors and forward plans have been identified as influencing the development of a procurement strategy.

### **2.1.1 Financial Strategy**

In common with many local authorities the Council has suffered financial constraints in recent years, although the recent financial settlement has mitigated the position. From a strategic viewpoint the priority has been to endeavour to protect priority services by adopting procurement arrangements which secure economic prices. An example of this is our membership and support to the aims and objectives of the East Lancashire e-Partnership. (See Section 2.3)

### **2.1.2 Competition**

The Council has continued to market test where there has been a real chance of competition, with Grounds Maintenance, Construction, Highways and Cleansing Services being subject to open-competition over recent years.

The outcome of this competitive approach has resulted in: the retention of in-house teams; separate accounting; the transparent reporting of profitability of contracts; and, new management arrangements to the client/contractor function to remove duplication of effort.

There is also strong evidence to suggest that the existence of the Council's in-house teams gives the Council price stability in a rapidly escalating market. The in-house bid provides a benchmark price, and this has been evidenced in recent years in the fields of housing and cleansing services.

### **2.1.3 Partnership Working**

Even without a formal procurement strategy the Council has been quick to take advantage of partnership working to secure increased capacity. The Council has played a major role in the creation of the East Lancashire E Government Partnership (ELEP) of five neighbouring councils. The primary purpose of the Partnership has been to increase capacity and reduce duplication of effort on the procurement of e-government solutions. In particular Ribble Valley BC has led on the development of BACS payments on behalf of the Partnership.

The Council has a clear strategy on Partnership and collaborative working, and will actively exploit or develop any opportunity where an advantage can be demonstrated that meets the corporate objectives of the Council.

Further details of the work of ELEP are provided at Section 2.3 (below)

### **2.1.4 Introduction of Replacement of Financial Management System**

In April 2006 the Council commenced the implementation of new financial management system - Civica Financials to replace the former Powersolve. The new system includes an optional Procurement module that the Council has opted to implement as part of its overall aim to improve procurement good practice across the Council.

## **2.1.5 Internal Requirement for a Procurement Strategy**

The Council has long recognised the need to develop a corporate procurement strategy but has until recently has lacked the necessary resources to deliver one. The need to develop a strategy was identified as a corporate priority as it was recognised that effective strategic procurement was important because of:

- The contribution towards the achievement of the Council's corporate strategic objectives and service objectives
- The contribution towards the delivery of key policies such as sustainability, regeneration, equalities and fair employment practices
- The potential impact upon spend & savings
- The potential impact upon service delivery
- The new regulatory framework (Byatt Report) which must be met

This Procurement Strategy will provide the principle mechanism by which the Council will continually develop its approach to procurement.

## **2.2 EXTERNAL DRIVERS**

The government's 'Modernisation Agenda' for developing an integrated, strategic approach to procurement and encouraging the development of a 'mixed economy' of provision of public services, will help shape the continuing development of Ribble Valley's Procurement Strategy. The main external drivers are:

### **2.2.1 The Byatt Report (Delivering Better Services to Citizens)**

The Byatt Report, commissioned by the DETR and the Local Government Association, was published in June 2001. It deals with the process of procurement and contract management in local government, and provides a clear strategic framework within which to carry out a high quality procurement function.

The Byatt Report divides the procurement function into key areas including links with Best Value, developing a corporate procurement function and framework, engaging Members, making markets work better, improving tender design and evaluation, and contract management.

### **2.2.2 National Procurement Strategy**

In 2004 the ODPM produced a National Procurement Strategy for Local Government that sets out how central and local government, together with partners from the public, private and voluntary sectors can set about improving local government procurement. The National Strategy aims to raise the profile of procurement.

#### Vision

The vision set out in the National Procurement Strategy is: -

- Delivering significantly better quality public services that meet the needs of citizens through sustainable partnerships with a range of public, private, social enterprise and voluntary sector organisations

- Operating a mixed economy of service provision, with ready access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups
- Achieving and demonstrating continuous improvement in value for money by collaborating with partners at local, regional, national, and European levels
- Obtaining greater value from all categories of procurement expenditure through a corporate procurement strategy and the necessary resources for implementation
- Realising community benefits
- Stimulating markets and using buying power creatively to drive innovation in the design, construction and delivery of services

### **2.2.3 Best Value/ CPA**

The Best Value regime requires local authorities to deliver services to clear standards by the most economic, efficient and effective means available, and to achieve continuous improvement in all their services.

Procurement is fundamental to delivering Best Value and procurement decisions must be taken on the basis of clear evidence around cost and quality of the current service, a clear understanding of the objectives of the service and a rigorous analysis of other options for service delivery.

The Government is strongly committed to the development of a 'mixed economy' for service provision within Local Government.

Effective procurement arrangements are also an expected requirement of the Comprehensive Performance Assessment (CPA) framework. The CPA framework is applicable to all councils and judges their effectiveness against a strict framework.

### **2.2.4 Implementing Electronic Government**

The Government's modernising strategy has a wide-ranging agenda, which is set out in its national strategy, e-gov@local. This requires local authorities, amongst others to ensure that they use electronic service delivery to improve the quality and responsiveness of their services.

### **2.2.5 Rethinking Construction**

Rethinking Construction is a new approach to construction procurement that is intended to address the traditional failings of construction industry contracts. It is based on the recommendations of the earlier Egan Report, and proposes a collaborative and partnership approach to replace the traditional confrontational approach.

Its targets for improvement are: reduced capital cost, reduced construction time, better predictability, fewer defects, fewer accidents, increased productivity, increased turnover and profits.

This process also reduces to a minimum the substantial costs of tendering exercises that constitute a direct cost to the client, plus the contractors costs which are indirectly passed on as part of the tender price.

## 2.3 Role of East Lancs e-Partnership (ELEP)



**East Lancashire**  
*e partnership*



The award winning East Lancashire Procurement Service provides a strategic sourcing and procurement transformation facility. It aims to improve and modernise the way partners source goods, oversee contracts and also streamlines buying and ordering procedures in order to drive down costs and create efficient working practises.

The Procurement Service vision is:

*"To improve the procurement of goods and services across East Lancashire to achieve efficiency savings, improve quality and support local SMEs"*

Innovative technology and working practises have been utilised and implemented in order to meet the business needs of each authority. Following a partnership wide spend analysis, a programme of work was established, incorporating corporate priorities and "quick wins". This is underpinned by procurement transformation techniques which help to create a more efficient way of working.

A central Procurement Team co-ordinates the programme of work which includes the implementation of innovative procurement technologies such as e-auctions, an electronic marketplace, pcards and BACS transfers.

Further information on the objectives of the Procurement Service can be found within the latest Project Initiation Document for 2005/06.

### **Objectives**



- Develop a single East Lancashire procurement strategy, in line with council strategic objectives;
- Identify a governance framework to ensure the efficient operation of an East Lancashire procurement project and ensure that the interests of all stakeholders are represented;
- Utilise learning, best practice, and support from the National e Procurement Project;
- Support local SME's through developing a price policy to ensure that their business is not significantly diminished through the opportunities of large national contracts, and focusing on supplier enablement from the outset;
- Form a central East Lancashire procurement unit and appoint a joint Procurement Director to drive the project, initial project management responsibilities followed by longer-term responsibility for joint contracts, on-going monitoring of contract compliance and benefit tracking.

## **Achievements and benefits**



The East Lancashire Procurement Service has enjoyed much national acclaim in recent years. The service was Highly Commended by the Local Government Chronicle at its awards ceremony in March 2005. It was also honoured by the Society of Procurement Officers by being presented with an award for Outstanding Achievement during their Annual Conference on the 15th November.

This acclaim is an excellent testament to the groundbreaking work that the partnership has implemented. Since its conception, the Procurement Service has applied innovative techniques and systems to drive down costs, streamline activities and make working practises much more efficient.

The Partnership was one of the first in the county to seize the benefits that electronic auctions could offer. By adding collaborative purchasing to this opportunity, the partners have enjoyed between 20% and 60% savings on each auction. Such auctions have taken place for stationery; IT consumables; Paper supplies; Protective Clothing and most recently telephone call charges and line rental. In total, partners have attained over £450,000 worth of savings to date. This figure is set to rise dramatically over the next three years when more adventurous commodities are procured. These include IT hardware, Energy supplies and transport.

## **Benefits**

Working in partnership allows us to maximise our buying power. As five authorities we have a greater amount of spend and therefore have a more of an influence on the markets we deal with.

The partner authorities deal with over 5,000 suppliers. We aim to streamline the supplier base to enable the partners to maximise their buying power. Much of the same products are purchased across each authority, if these products are purchased from the same supplier, it not only reduces cost, but also the time taken to source and negotiate for goods.

The methods for ordering and buying goods are also being modernised. The use of pcards (similar to a credit card), online purchasing and authorisation and electronic payments all contribute to changing the way the councils do business.

The service also works closely with the North West Regional Centre of Excellence. This relationship helps the partnership keep abreast of national and regional contracts and opportunities that could help to drive down costs even further. The relationship also supports the partnership in keeping up to date with Government guidelines and targets and provides a regional forum for discussion.

Business and third sector communities also benefit from the work of the Partnership. A number of events to pro-actively encourage local business communities to do business with the partnership have taken place or are planned for the forthcoming year. On-line catalogues will be made available, and we aim to help businesses collaborate and understand how to deal with the Councils. We also aim to provide skills transfer techniques in conjunction with the Chamber of Commerce that allow a modern relationship between authority and supplier which helps to drive down the cost for the supplier.

### **3. Procurement Challenges**

In addition to the drivers listed above the development of a Procurement Strategy will also address a number of challenges that currently face the Council.

#### **3.1 Aligning National & Local Priorities with Procurement**

In the past, the linkages between the corporate priorities of the Council and its approach to procurement have been implicit rather than clearly demonstrated. This strategy aims to show those linkages and to set out the linkage with the Government's developing procurement agenda for Local Government.

#### **3.2 Corporate Integration**

The Council's past process of procurement has not presented a holistic strategic approach, the process of procurement having been viewed as a part of achievement of other service objectives rather than an issue in its own right. As a result of this, historically there has been little strategic overview as to the wider impact of the process.

#### **3.3 The Public Sector Service Market Place**

The private sector, in some circumstances, do not find the services of district councils attractive to compete for, as the service contracts are not considered to be of sufficient size to be profitable, or worth the effort of the competitive tendering process. Accordingly it is recognised that the previous position has failed to exploit the potential opportunities offered by strategic partnerships, although recent partnership working with ELEP has begun to overcome this barrier.

Aligned with this has been the lack of a systematic review of the market place to identify opportunities for improved procurement of services through the collective packaging of services to make them more attractive to the private sector.

#### **3.4 Procurement of Routine Goods & Services**

Whilst certain goods and services are procured centrally (for example, I.T equipment and systems, and, printing and stationery handling equipment) more generally, each service area is responsible for its own purchase of routine goods and services. This arrangement means the Council deals with a high volume of suppliers and as a consequence is losing opportunities for economies of scale in its purchasing.

#### **3.5 EU Procurement Directives**

The EU Procurement Directives set out the legal framework for all public procurement within the European Union. They apply when public authorities and utilities seek to acquire goods, services, civil engineering or building works. They set out procedures which must be followed before awarding a contract when its value exceeds set thresholds.

The purpose of the EU rules is to open up the public procurement market and to ensure the free movement of goods and services within the EU. The rules reflect and reinforce the value for money (vfm) focus of the Government's procurement policy. This requires that all public procurement must be based on vfm (defined as the optimum combination of whole-life cost and quality to meet the user's requirement) which should be achieved through competition, unless there are compelling reasons to the contrary.

The Directives have been implemented into UK law by Regulations. The thresholds are quite high and rarely apply to Ribble Valley BC's generally small spend. However buyers should always check before going ahead with a procurement. The thresholds are not

published here as they are revised on an annual basis. Details of the current thresholds can be found at the Office of Government Commerce's website [www.ogc.gov.uk](http://www.ogc.gov.uk)

### 3.6 Spend Analysis

In May 2005 the Council carried out a detailed analysis of its expenditure for the preceeding municipal year 2004/05. The analysis identified some remarkable findings, a summary of which are provided below.

**Total (procurement) spend £5,442,876 across 28 categories**

of which the Top Five were:

**Buildings and grounds maintenance - £2,142,719 (39%)**

**Equipment, furniture and materials - £718,319 (13%)**

**Refuse collection/waste services - £392,830 (7%)**

**Transport, purchased contract hire and leases - £374,138 (7%)**

**Advertising, marketing and promotions - £205,545 (4%)**

The remaining 23 categories each accounted for less than 4% of the spend

**The Council dealt with 1045 suppliers of whom**

**35% (374) accounted for 97% of the total spend**

(with the remaining 64% (668) of suppliers accounting for just 3%)

**Collectively these suppliers generated 8994 invoices**

of whom 489 suppliers who sent us just 1 per year

**but 4 suppliers sent us on average more than 1 invoice per day**

**326 of these suppliers were local to the area**

**accounting for £1,769,383 (33%) of the spend.**

The analysis served to highlight the scope of procurement within the Council, the variation in spend between suppliers and the opportunities for making efficiency savings. For example the analysis, which was also carried out across the neighbouring councils within the ELEP Partnership, also identified that a large proportion of suppliers were shared, supplying common goods and/or services across the Partnership. This clearly offers scope for combining contracts and achieving economies of scale.

Quantification of the number and frequency of invoices issued also offers opportunities for rationalisation since independent research by the Audit Commission report has identified that each transaction costs the Council approximately £70 in terms of administration.

Overall the Spend Analysis quantifies the scope of the procurement function within the Council and underlines the need to develop a robust corporate strategy that can maximise the opportunities for financial savings offered by it.

### **3.7 Financial Data**

The Council is currently in the process of implementing a new Financial Management System. This replaces the previous system that proved difficult to interrogate and led to limited financial management information being available as regards procurement.

The new system, Civica Financials, has a procurement module that incorporates electronic ordering and payments. It also enables commitment accounting, which will significantly enhance the Council's procurement function.

### **3.8 Lack of Expertise**

Currently Service Managers possess varying levels of contract management knowledge based on their experience of contract management, including CCT. However it is also recognised that no managers had received any recent training in procurement.

This situation is largely reflected in staff involved with day-to-day procurement, where many lack or require revision to attain a sufficient level of knowledge of the Council's Standing Orders & Financial Regulations.

## **4. Towards a Corporate Procurement Strategy**

It is against this background that Ribble Valley Borough Council is currently developing its approach to procurement. The Council has made some very positive moves forward in developing its approach to procurement, and is providing a lead role on a number of high profile initiatives.

It is also a key player in other significant, high profile initiatives such as the East Lancashire E Government Partnership. The Council is committed to the continuing development and implementation of a more holistic and strategic approach to the procurement of goods and services.

The following Procurement Strategy demonstrates the general principles which will underpin the Council's approach to procurement and a phased procurement strategy that summarise the key actions which the Council intends to take.

## **PART 2**

# **Ribble Valley's Procurement Strategy**

## **1. Procurement links to the Council's Vision, Mission & Corporate Objectives**

### **1.1 Introduction**

Ribble Valley Borough Council's Corporate Plan sets out the strategic direction of the Council over the period 2005 to 2008, providing a focus to ensure that the services we deliver meet the needs of our communities. The Plan has a three year scope but is reviewed annually to ensure that it continues to reflect changes to our priorities that occur over time.

### **1.2 Mission Statement & Vision**

The Council has adopted the following statement that sets out its role and responsibilities in relation to the communities it exists to serve: -

***"The Council will provide high quality, affordable and responsive public services that develop the social and economic well-being of the Borough whilst safeguarding the rural nature of the area"***

Our VISION, which is shared with the Local Strategic Partnership, remains constant. By no later than 2016 we aim to ensure that Ribble Valley will be:

**"An area with an exceptional environment and quality of life for all; sustained by vital and vibrant market towns and villages acting as thriving service centres meeting the needs of residents, businesses and visitors."**

The Corporate Plan outlines what is expected of a modern progressive local authority and how it will improve the social, economic and environmental well-being of the Ribble Valley.

### **Core Values**

In pursuing our priority actions, the Council will continue to deliver the services people want, in a fair and consistent manner. It is important that we explain exactly what our values are. These values guide and influence our actions as we continuously improve the services we deliver. We will :

- Lead the Community
- Strive to achieve excellence
- Ensure that access to services is available to all
- Treat everyone equally
- Respect all individuals and their views, and
- Appreciate and invest in our staff.

# Local Strategic Partnership

Ribble Valley Borough Council is working closely with our key partners and local communities through the Ribble Valley Strategic Partnership. Each of the partners/agencies within the Partnership contributes towards the achievements of the Strategy through its own actions and joint actions with others. This Corporate Plan shows how the Council will contribute to the realisation of the priorities and objectives set out in the Ribble Valley Community Strategy.

COMMUNITY STRATEGY	CORPORATE PLAN
<p><b>Priority Themes:</b> Community Safety Health and Well-being</p> <p>.....</p> <p>Environmental Excellence</p> <p>.....</p> <p>Housing</p> <p>.....</p> <p>Access for all</p> <p>.....</p> <p>Community Cohesion</p> <p>.....</p> <p>Tourism Education and Lifelong learning Culture Thriving Market Towns A Sustainable Economy</p>	<p><b>Ambitions:</b> To help make peoples lives SAFER AND HEALTHIER</p> <p>.....</p> <p>To PROTECT AND ENHANCE the existing ENVIRONMENTAL QUALITY of our area</p> <p>.....</p> <p>To MATCH the SUPPLY OF HOMES in our area with the IDENTIFIED HOUSING NEED</p> <p>.....</p> <p><b>Core Values:</b> Ensure that access to services is available to all</p> <p>.....</p> <p>Treat everyone equally Respect all individuals and their views</p> <p>.....</p> <p>Lesser-priority areas for the Council</p>

## 2. Reflecting Ribble Valley’s Corporate Priorities

Supporting Best Value and the objectives set out in the Corporate Plan, it is suggested that the following is adopted as the Vision for Procurement.

*"To obtain best value through a planned, responsive, well managed, sustainable procurement regime which uses efficient processes and develops effective partnerships with suppliers to contribute to the achievement of the Council’s key priorities and the Community Strategy".*

### 2.1 Key Principles

Based on this vision, the Council has identified the following key principles to underpin the Procurement Strategy:

Strategic Approach

The Council will adopt a long term, planning, strategic and risk based approach to procurement.

Best Value

The Council will use competitive processes for procurement and will take account of long term costs when making decisions.

### Service Delivery Options

The Council will carry out a rigorous and challenging appraisal of service delivery options through a programme of Service Improvement Reviews focussed on services where there are identified opportunities for improvement.

### Aggregation Of Purchasing Power

The Council will maximise its purchasing power through Council wide contracts, collaboration with other Councils or purchasing consortia.

### Supplier Partnership

The Council will work closely with existing and potential suppliers in developing tender invitations and will encourage innovation, service improvement and cost reduction through a partnership approach with suppliers.

### Simple Effective Processes

The Council will develop simple, straightforward and effective processes and procedures that fully take advantage of e-procurement systems and eliminate unnecessary bureaucracy.

### Workforce Levels

The Council will comply with Government guidance and will consult staff and Trades Unions in relation to any procurement project that might impact significantly on existing staffing arrangements.

### Equality

The Council will consider community concerns and equality opportunity in making procurement decisions.

### Probity

The Council will continue to achieve the highest standards of probity, openness and accountability.

### Construction

The Council has made an encouraging start to implementing the proposals set out in the Egan Report and will now prepare Action Plans to move this further forward.

### Strategic Objectives And Summary Of Strategy

Taking account of these factors, it is suggested that the Procurement Strategy should contain the following key strategic objectives:-

a) Achieve maximum value for money and provide high quality services that are continuously improved. The Council will maximise purchasing power to reduce costs (product and transaction) by:

- Using existing collaboration arrangements (e.g. ELEP) wherever possible in preference to new tenders
- Develop partnerships and joint procurement arrangements through the Regional (Northwest) Centre of Procurement Excellence (NWCoE)
- An annual procurement plan
- Standard contract documentation and specification through ELEP/NWCoE
- Ensuring that corporate contracts are fully utilised.

The Council will evaluate tenders on the basis of life time costs, and will in most cases accept bids on the basis of a balance of cost and quality – not just the lowest price.

The Council will ensure, through a programme of Service Improvement Reviews, that poorly performing services are rigorously challenged and that alternative procurement options are identified and evaluated.

- b) Reduce costs through e-procurement.

The Council will implement an e-procurement system, initially focussed on e-tendering; and e-marketplace during 2006. Further IT options, including purchase cards, will be evaluated.

- c) Work closely with suppliers and Develop Effective Markets.

The Council will seek to develop partnership relationships with key suppliers, focussed on performance management and continuous improvement.

The Council will support suppliers through a suppliers website, and will involve suppliers at the earliest opportunity in developing tender specifications.

Where the current market is ineffective and there are insufficient suppliers with the required skills or capacity, the Council – with ELEP/ NWCoE will seek to develop existing suppliers; and encourage new entrants from the voluntary or private sectors.

- d) Ensure that procurement decisions help to contribute to the achievement of the Community Strategy and related Council plans.

The Council will assess the wider impact of procurement decisions, and for bids of equivalent value, give preference to bids that maximise community benefits.

The Council will comply with relevant guidance on Health and Safety, Race Equality and Workforce Issues, and will develop policies to support sustainability.

- e) Ensure that the Council has effective leadership, managerial and delivery structures and systems to deliver the procurement strategy.

To achieve these objectives, new leadership and managerial roles and responsibilities are required. Procurement member and officer champions will be nominated, and a strengthened Finance Department will have a stronger corporate role in all procurement issues.

### **3. Ribble Valley Borough Council Procurement Principles**

Ribble Valley Borough Council is committed to setting rigorous quality standards and the retention of a robust procurement and monitoring procedure to ensure the ongoing delivery of Best Value supplies, services and works from wherever they are sourced.

The following procurement principles have been developed with the aim of underpinning the Council's Procurement Strategy in order to support the achievement of the Council's Vision & Mission, and to support the delivery of the Council's core values and strategic corporate objectives.

#### **3.1 Delivering Best Value & Continuous Improvement**

Where contracts are going to run for a number of years, the contract should be sufficiently flexible to provide for continuous improvement throughout the period of the contract.

- Terms of contracts should include mechanisms for measuring the extent to which performance has achieved the specified goals or outcomes and, wherever possible seek to improve upon the specified goals and outcomes
- Periodic evaluations should be undertaken to assess the potential gains in economy, efficiency & effectiveness by the use of new technology

- Expect that external procurement will be based on competition, recognising that there will be limited exceptions to this approach in certain defined circumstances
- Base its procurement processes primarily on the assessment of outcomes, noting that the evaluation of inputs will remain an integral aspect
- Seek forms of external procurement, which are based upon a partnering approach recognising mutual advantage, and which reflect longer-term relationships seeking continuous improvement
- The Council's approach to sustainability should be considered and addressed when writing specifications, evaluating tenders and throughout the service delivery of the contract.
- Where a mixture of quality/price is used in evaluation, robust quality/price tender evaluation models should be prepared that sufficiently reflect the level of quality that can be afforded. When preparing quality/price valuation models, consideration should be given to the costs that are expected to be incurred throughout the entire life of the contract (i.e. whole life costing)
- Terms of contracts should include mechanisms for measuring the extent to which performance has achieved the specified goals or outcomes and, wherever possible, require service providers to seek to improve on the specified goals and outcomes.

### **3.2 Management, Control & Monitoring of New Procurement Projects**

Arrangements shall ensure that all new procurement projects are adequately managed and monitored with a view to achieving completion of the procurement project on time and within budget.

- A designated officer/s shall be identified to take responsibility for the project management of all new procurement projects over a value of £50,000.
- A procurement plan for all major procurements shall be prepared in a timely manner and approved by the Council's Management Team and The Executive prior to all new procurement projects, indicating:
  - Assessment of the business case
  - The procurement time-scales
  - Resources requirements
  - Risk assessment
  - Reporting and monitoring arrangements.

### **3.3 Management, Control & Monitoring of Contracts**

Arrangements shall ensure that all contracts are adequately managed and monitored with a view to achieving completion of service delivery on time, within budget, and in accordance with the specifications.

- Details of all contracts above a value of £50,000, will be placed upon the Council's central contract register.
- The Council's Corporate Management Team and the Overview & Scrutiny committee basis will monitor the Council's central contract register every six months.

- The Council's dedicated officer for procurement (The Procurement Officer) shall be assigned to take responsibility for monitoring and reporting of contracts, including: -
  - Compliance with H & S requirements
  - Compliance with all relevant Legislation
  - Regular Client & Contractor progress meetings
  - Performance Management including...
    - Performance against delivery specification,
    - Service Costs
    - Service Quality
    - Performance against KPI's
    - Complaint Monitoring
    - Capacity for continual improvement
    - Lessons learned (what went well and what did not go well)

### **3.4 Assessing & Minimising Risk**

The risks associated with all procurement shall be assessed and minimised accordingly.

- All procurement project management and contract management will be based upon the principle of the recognition and management of risk
- The risks associated with the procurement of contracts shall be evaluated in accordance with the Council's Risk Policy and the likely consequences assessed accordingly
- As a general principle, identified risks should lie with whoever is best placed to manage and minimise risks

### **3.5 Qualified & Experienced Staff Resources**

- All officers involved in procurement should be fully aware of, and have the ability to apply and adhere to the Council's Standing Orders and Financial Regulations in relation to all procurement exercises.
- Staff engaged in procurement and contract management shall be trained for the process.
- When project managers are arranging procurement they should have the capability themselves, through qualification, experience and/or knowledge (or have access to suitably trained & qualified staff) to be able to arrange the procurement in a satisfactory manner.
- Officers managing major contracts shall have the capability themselves, through qualification, experience and/or knowledge (or have access to suitably trained & qualified staff) to be able to ensure the sound management & monitoring of the contract.

### **3.6 Social, Economic & Environmental Wellbeing**

- All procurement shall recognise the impact on social, economic and environmental wellbeing
- All procurement projects will recognise that meeting the needs of the borough's diverse communities will be a key factor in determining the best providers, and that specifying and measuring equalities outcomes will therefore be an important part of any procurement process
- The viability of local business is a key part in achieving the Council's vision. Local businesses should be given appropriate advice and encouragement to enable them to compete for Council contracts. Regeneration is a primary objective for the Council and any procurement exercise that benefits the local economy should be encouraged and be given full consideration.
- All procurement projects will recognise the need for providing value for money by taking into account the whole-life costs of goods and services. i.e. running and disposal costs and not just the initial purchase price

### **3.7 High Professional Standards & Best Practice**

- All procurement procedures shall be operated in a professional manner and ensure the highest standards of transparency, probity and accountability
- All procedures shall be operated in accordance with the Council's contract standing orders, codes of practice, best practice and standards set by the relevant professional organisations
- Wherever possible, model or standard terms and conditions of contract should be used that have been evaluated by legal officers as being satisfactory for use by the Council
- All procedures shall be auditable and be able to demonstrate sufficient probity and accountability for all decision making processes

### **3.8 Workforce Matters**

Recognise that the employment practices of prospective partners can be relevant for the purposes of achieving best value and seek to ensure through the procurement process that such practices are governed by the principles of negotiation and continuous service improvement, in particular, by:

- Ensuring that relevant information on bidders' employment practices is required in the Invitation to Tender;
- Incorporating the contractors' ability to recruit and retain staff into the quality assessment criteria;
- Meeting all current central government guidelines in respect of a "two-tier workforce"
- Requiring that all potential employers consider applying for Admitted Body Status to the Local Government Pension Scheme

- Requiring that all potential employers consider recognising those trade unions currently representing staff
- Ensuring that all other TUPE regulations are applied
- Recognise that consultation with staff and the trade unions is an important part of the procurement process, both in terms of procurement decisions and in the project management of externalisation, in particular, by:
  - providing appropriate information to staff and trade unions at all stages of the procurement process;
  - establishing regular consultation processes with staff and trade unions at appropriate frequencies;
  - providing an opportunity for trade unions to comment on all aspects of the procurement process at key milestones of the procurement process;
  - facilitating meetings between trade unions and potential providers at key stages of the procurement process;
  - allowing full discussions between trade unions and the Council's preferred bidder prior to contract award.

**The Council will give effect to its Procurement Strategy by developing and promoting a corporate Code of Practice. This is detailed in the Action Plan included at the back of this document.**

## **4. Key Aims & Objectives of the Procurement Strategy**

### **4.1 Key Aims**

- **To ensure that procurement planning reflects the Council's core values and corporate aims & objectives**
- **To secure commitment to effective procurement from Members and officers at all levels throughout the organisation**

**To provide a corporate focus to procurement that will:**

- Map out the way forward
- Achieve optimum resource allocation
- Maximise opportunities for processing efficiencies
- Avoid duplication of effort
- Draw together the existing elements of procurement initiatives
- Encourage long-term thinking & a strategic perspective

### **4.2 Key Objectives**

#### **4.2.1 Investment**

All procurement projects should consider how to maximise the potential for continuing investment in services

#### **4.2.2 Developing Partnership Arrangements**

The Borough of Ribble Valley sees partnership arrangements as a cost effective way of achieving service delivery be the partnership arrangement with private sector companies who can demonstrate Best Value or with other Councils or public bodies (e.g. East Lancashire e-partnership e-Procurement Project).

#### **4.2.3 Performance of Services**

The requirement to move to top quartile performance of a service (against a selection of local and national indicators) will be a crucial factor in deciding how a service is procured. Any procurement process should contain explicit criteria and targets to show how this will be achieved

#### **4.2.4 Quality Services**

Hand in hand with performance is the requirement to deliver customer centred services with measurable quality standards. Any procurement process should emphasise the quality outcomes expected by users and seek to ensure regular monitoring and reporting of such standards.

### **4.3. Regeneration**

Regeneration is one of the Council's primary strategic objectives. The Procurement Strategy seeks to support the Council's objectives and therefore any procurement exercise should consider the regeneration benefits to be gained.

#### **4.4 Skills, Expertise and Capacity of the Workforce**

The ability of the Council to increase its capacity in those services which it delivers is key to improving the performance and quality of services. The procurement strategy, should where possible, maximise opportunities to attract suitably qualified managers and staff and offer the potential for the personal development of existing staff. Strategic partnering, with the public and private sectors is seen as a potential mechanism for achieving this.

#### **4.5 Environmental Sustainability**

All procurement should take into account the Council's policies towards environmental sustainability as first defined in the Local Agenda 21 Strategy and now included in the Community Strategy. Wherever possible buyers should seek to source environmentally preferable products and services including promoting 'Fairtrade' products. Environmentally preferable products are defined as ones that are less harmful to human health and the environment when compared with competing products that serve the same purpose.

Amongst other things they should be:

- fit for purpose and provide value for money (Para 3.6)
- energy and resource efficient
- obtained from local suppliers in order to reduce transport related environmental impacts
- use the minimum amount of virgin materials
- making maximum use of post-consumer materials
- non (or less) polluting
- durable, easily upgraded or repairable
- reusable – seeking to maximise the opportunities for recycling the product at the end of its life
- supported by additional information to demonstrate their environmental preferability. E.g. Timber is purchased from certified sources such as those accredited by the Forest Stewardship Council (FSC) or the Pan European Forestry Certification (PEFC) scheme.

#### **Sustainable energy sourcing**

The Climate Change Levy was introduced on 1<sup>st</sup> April 2001 to reduce the reductions in carbon dioxide emissions arising from energy usage by large organisations.

At present the Council sources all its electricity from 'green'/renewable sources therefore the CCL is not attributable. The unit cost of 'green' fuel is however slightly higher than a non-renewable source. All gas supplied to the Council is subject to the levy it does not have any combined heat and power (CHP) units.

#### **4.6 Equalities**

The Council is committed to the promotion of equalities and Service Managers involved in procurement are required to be fully aware of the requirements of the Council's policy. Contractors wishing to be considered for tendering opportunities or partnership arrangements are required to have equality statements and may be required to show evidence of equalities put into practice.

### PART 3 – PROCUREMENT STRATEGY – ACTION PLAN

Note :N = Action point compatible with the Government’s National Procurement Strategy

ACTION POINT	RESOURCE REQUIREMENT	OFFICER/S RESPONSIBLE	HOW MONITORED AND MEASURED	TARGET DATE
<b>OWNERSHIP, MONITORING AND REVIEW</b>				
(N) Ribble Valley Borough Council has developed this Strategy and the responsibility for its implementation, monitoring and review lies with all members and officers of the Council.	Corporate Services Manager	Corporate Services Manager	Reports to Overview and Scrutiny (Res)Committee	Ongoing
(N) The Action Plan will be monitored on a six monthly basis by the Overview and Scrutiny (Resources) Committee	Corporate Services Manager	Corporate Services Manager	Reports to Overview and Scrutiny (Res)Committee	Every 6 months
<b>DEVELOP ROLE AND FUNCTIONS OF A PROCUREMENT OFFICER</b>				
Establish a job description, role and responsibilities for and of a new post of Procurement Officer	Financial Management Team time	Financial Services Manager Senior Accountant	Report to Personnel Committee	Achieved
Appoint to new post of Procurement Officer	Salary + costs	FSM/ Snr Acct	Post filled	Achieved
<b>STANDING ORDERS AND FINANCIAL REGULATIONS</b>				
Review and revise the Council’s Standing Orders & Financial regulations to take account of the procedures set out in the e-procurement policy.	Director of Resources	Director of Resources	Adopted By Council	June 2006
Develop & maintain a Code of Practice/ Procurement User Guide	Procurement Officer	Procurement Officer	Documents in place	Aug 2006
Ensure that all staff involved in procurement are aware of & understand the requirements of S.O’s & Financial Regulations	Training sessions	Snr Accountant Procurement Officer	Training programme	Aug – Dec 2006
Ensure compliance with S.O’s & Financial Regulations	Internal Audit	Service Managers & Internal Audit	Ongoing	Ongoing
<b>POLICY &amp; STRATEGY IMPLEMENTATION</b>				
Ensure that the principles of risk management are applied to all new & existing procurement contracts and projects	Procurement Officer Service Managers	Service Managers	Contract compliance	Ongoing
Ensure that health & safety issues are addressed in all new and existing contracts	Procurement Officer Service Managers	Service Managers	Contract compliance	Ongoing
(N) Ensure that equality issues are addressed in all new and existing contracts	Procurement Officer Service Managers	Service Managers	Contract compliance	Ongoing
(N) Ensure regeneration issues are considered in all new/ existing contracts. RVBC to encourage a diverse/ competitive supply market inc. small firms, social enterprises, ethnic minority businesses & voluntary/ community sector suppliers.	Procurement Officer Service Managers	Service Managers	Contract compliance	Ongoing
(N) The Council to sign up to the national Concordat for SME’s	Chief Executive	Chief Executive	Concordat signed	August 2006
(N) Ensure that the objectives of the Community Plan are addressed in all new and existing contracts	Service Managers	Service Managers	Reports to Corporate Management Team	6 monthly
(N) Develop and conclude a compact with the voluntary and community sector for the provision of services where appropriate	Regeneration Officer	Regeneration Officer	Compact in place	Achieved
(N) Ensure sustainability issues are considered in all new and existing contracts	Service Managers	Service Managers	Contract compliance	6 monthly

<b>PROCUREMENT OF MAJOR SERVICES AND PARTNERSHIPS</b>	<b>RESOURCE REQUIREMENT</b>	<b>OFFICER/ S RESPONSIBLE</b>	<b>HOW MONITORED AND MEASURED</b>	<b>TARGET DATE</b>
(N) Ensure all staff that may be affected by a major procurement project are consulted at each stage of the process. Employment considerations shall be built into the process including compliance with the Local Government Act 2003.	Project team	Project manager	Ongoing	Ongoing
(N) Give active consideration to meeting the corporate objectives of the Council in a range of service delivery, maintenance and construction projects by way of partnership working. This would be by either partnering arrangements with either the Public or Private sector, or collaboration with other councils to jointly procure or commission services. The number of active partnerships shall be recorded and reported, and opportunities for such arrangements identified.	Monitoring of National and local opportunities for Partnership and Collaboration.	Corporate Services Manager Procurement Officer Management Team	Annual review of RVBC Corporate Plan	Ongoing
(N) All best value service reviews shall include a robust and challenging appraisal of the different service delivery models available.	Best Value Service Review Teams	Corporate Services Manager	Outcome of Reviews inc. subsequent inspections.	Ongoing
(N) Ensure RVBC representation at Regional Centre of Excellence in Procurement and Contract Management events when such a body is established.	Officer time ELEP fees	ELEP Procurement Officer	Attend NWCoE Procurement events & report back to CMT	Ongoing
(N) Systems to be developed to make sure that all OJEU procurement processes take under one year to complete.	Service Managers	Service Managers	OJEU Periods	Ongoing
(N) The process of review should identify progress against elements of the National Procurement Strategy included within the Council's Strategy.	Staff time to carry out regular reviews	Corporate Services Manager	Ongoing	Ongoing
(N) For all major procurement exercises, the Council to produce an information memorandum to prospective bidders setting out the background to the project, the Council's objectives, and the outline and timetable for the procurement process, making clear the roles and responsibilities.	Service Managers ELEP	Service Managers	Ongoing	Ongoing
(N) Invitations to tender / negotiate for partnerships to include a requirement to submit optional, priced proposals for delivery of community benefits which are relevant to the contract and add value to the Ribble Valley Community Plan.	Service Managers ELEP	Service Managers	Project records	Ongoing
(N) Prospective bidders to demonstrate their track record in achievement of value for money through effective use of their supply chain, including the use of small firms. This will continue to be examined as part of the management of any contract awarded.	Service Managers ELEP	Service Managers	Project records	Ongoing

<b>DEVELOP CONTRACT MANAGEMENT PROCEDURES &amp; GUIDELINES</b>	<b>RESOURCE REQUIREMENT</b>	<b>OFFICER/S RESPONSIBLE</b>	<b>HOW MONITORED AND MEASURED</b>	<b>TARGET DATE</b>
Establish a Procurement and Contract Management Steering Group to comprise: CX, DoR, CSM, Snr Acct (LO), DoCS, E.Member(tbd) + ELEP Proct Mgr	Officer time	Chief Executive D of R	Group established	September 2006
Establish a Procurement and Contract Management Working Group to comprise: CSM, Snr Acct (LO), Snr Bldg Svyr, SSM, C&DMgr, Snr Sol, Reg Off, PA to DoR	Officer time	Corporate Services Manager	Group established	September 2006
Continue to ensure that all contracts are operating within the context of good practice	Procurement Working Group	Procurement Working Group	Project records	Ongoing
Produce a plan detailing how the Council will approach the development of contract management arrangements	Procurement Working Group	Procurement Working Group	Plan produced	Dec 2006
Identify a lead contact officer for all contracts across the council with responsibility for maintaining a clear audit trail for the contract	Procurement Working Group	Procurement Working Group	Project records	Ongoing
Identify how Members will be engaged in contract management	Procurement & C.Mgt Steering Group	Procurement & C.Mgt Steering Group	Project records	Ongoing
Provide training in contract management for all officers & Members involved in contract management	Procurement & C.Mgt Steering Group	ELEP Procurement Mgr	No. Trained	Ongoing
Establish and maintain a contract register for all contracts above £50,000 across the Council	Internal Audit	Internal Audit	Register established	Achieved
Report to Management Team and Members on the status and performance of all capital contracts >£50k on a 3 monthly basis	Procurement Officer	Procurement Officer	3 monthly report	Ongoing
Report to Management Team and Members on the status and performance of all ELEP contracts on a 6 monthly basis	Procurement Officer	Procurement Officer	6 monthly report	Ongoing
Review and re-assess the packaging of all contracts across the Council	Procurement Officer	Procurement Working Group	Ongoing	April 2007
<b>FINANCIAL MANAGEMENT SYSTEM &amp; PROCUREMENT</b>				
Provide relevant and timely financial management information for procurement	New FMS (Financial Management System)	Snr Accountant Procurement Officer	System introduced	Achieved
Continue to reduce the number and transaction cost of invoices processed.	New FMS (Financial Management System)	Snr Accountant Procurement Officer	Ongoing	Ongoing
<b>PERFORMANCE MEASUREMENT</b>				
Develop and agree a suite of performance indicators & measures for procurement	Review national suite of PIs available	Procurement Officer ELEP	New P.I.'s in place	Sept 2006
Develop monitoring and reporting mechanisms for Procurement Performance Information	New FMS (Financial Management System)	Snr Accountant Procurement Officer	New P.I.'s in place	Sept 2006
<b>TENDERING ARRANGEMENTS</b>				
Review and revise the approved supplier lists	Procurement & Contract Mgt Wkg Gp	Procurement Officer	No. of lists revised and updated	October 2006
Review & revise the tender letting and evaluation documentation	Procurement & Contract Mgt Wkg Gp	Procurement Officer	Task complete	October 2006
(N) Produce a guide of 'How to do Business with the Council'	Procurement & Contract Mgt Wkg Gp	Procurement Officer	Document in place	October 2006

<b>PROCUREMENT OF ROUTINE GOODS &amp; SERVICES &amp; DOING BUSINESS ELECTRONICALLY</b>	<b>RESOURCE REQUIREMENT</b>	<b>OFFICERS/S RESPONSIBLE</b>	<b>HOW MONITORED AND MEASURED</b>	<b>TARGET DATE</b>
Identify the categories of the most commonly purchased goods and services by value and volume within the Council (Spend Analysis)	ELEP	Procurement Officer	Work Complete	June 2005
(N) Implement an e-Procurement solution as part of the e-Government programme.	New Civica Financial System	Financial Services Manager Procurement Officer	Implementation complete	June 2006
Hold a "meet the buyer" event	East Lancashire Chamber of Commerce	ELEP Procurement Officer	Event(s) held	April 2007
Develop framework agreements (call-off contracts) for the above	ELEP / ELCOG	Financial Services Manager Procurement Officer	Call off contracts in use	Ongoing
(N) Full use of an appropriate e-Marketplace	Senior Accountant	Senior Accountant	System fully developed	Achieved
<b>ENERGY</b>				
Develop a plan to ensure that, as an initial target, 15% of all energy used by the Council is from a guaranteed renewable source to contribute to the UK climate change programme. This proportion to be increased year on year as availability increases. Check with Rod	Procurement & Contract Mgt Steering Group + ELEP	Principal Building Surveyor	By reports from energy suppliers	From
Develop a plan to ensure that all energy procured, including renewable source energy, used within the Council is purchased at the most economically advantageous rates	Principal Building Surveyor	Principal Building Surveyor	Ongoing	Achieved
<b>RETHINKING CONSTRUCTION PROCUREMENT</b>				
Discuss at Corporate Management Team and appoint a Lead Officer	CMT	Director of Commercial Services	Report to CMT	Completed
Introduce further procurement partnering arrangements where appropriate	CMT	CMT	Report to CMT	Ongoing
Monitor success of council house improvement contract	Director of Commercial Services	Director of Commercial Services	Report to CMT	Ongoing