

# **Procurement Strategy**

## **2015 - 2020**

*Epping Forest District Council*

Portfolio Holder: Finance

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## INTRODUCTION

Procurement is much more than a narrowly-based technical issue. 'Procurement' is the process of acquiring goods, works and services, covering acquisitions from third parties, partnering and from in-house providers. The process spans the whole (life) cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision which may result in the provision of services in-house in appropriate circumstances.

The Procurement Strategy sets out the Council's procurement objectives and principles and describes the contribution that effective procurement will make to the achievement of Epping Forest District Council's vision and corporate priorities. The strategy is supported by an annual action plan and the Procurement Toolkit.

For 2015/16, Epping Forest District Council has set budgets to spend some £98m in revenue expenditure (including depreciation and employee costs) and a further £26m in capital expenditure on goods, works and services in both directly supporting the work of the Council and also in providing services to our residents, visitors and businesses. This is a significant sum of money that needs to be spent in a way that is properly controlled and governed to ensure good value for money and also give the Council a significant economic influence in the area. This influence will be used wisely to promote both the Council's public duties for value for money, promoting equality and diversity and promoting environmentally sound practices.

## SUPPORTING THE DELIVERY OF THE COUNCIL PLAN

The Procurement Strategy supports the Council's Corporate Plan. At a general level, procurement of goods and services assists in delivering the Council's strategic objectives and statutory responsibilities. At a specific level, this procurement strategy is designed to support the Council's objectives of:

- Ensuring that the Council has appropriate resources, on an ongoing basis, to fund its statutory duties and appropriate discretionary services while continuing to keep Council Tax low.
- Ensuring the Council adopts a modern approach to the delivery of its services and that they are efficient, effective and fit for purpose.

It also supports the Council:

- To respond to issues of deprivation in the district: through promoting a consistent approach to equality and diversity and reducing inequality in the provision of services and through requiring and promoting good practice in equality and diversity in the employment and contracting practices of suppliers and partners.
- To maintain and improve the links between the Council, local town centres and the business community: through, to the extent that the EU Procurement Directives, collaborative procurement and value for money allow, sourcing appropriate goods and services through local businesses and promoting the development of local businesses by making the Council easier to do business with.

### Other influences on the strategy

A number of external influences have been taken into account in the preparation of this strategy, including:

- Delivering Value for Money as measured through the annual assessment by the Council's external auditors;
- The Sustainable Procurement in Government: Flexible Framework prepared by the Sustainable Procurement Task Force (SPTF) (June 2010), in support of the 2005 Sustainable Development Strategy and the Government Buying Standards (GBS) set out to ensure sustainable procurement in given fields (January 2012 onwards).
- The Council's duty to promote equality of opportunity in line with the public sector equality guidance.

A number of internal drivers have also been taken into account in the strategy, including:

- The Medium Term Financial Strategy 2014/15 – 2018/19 and Budget 2015/16, which set the framework for a balanced budget over the medium term. Delivering these forecasts will require, amongst other things, delivering real efficiencies, including through improved procurement and sourcing decisions and through improved procurement processes and financial controls.
- The Council's Climate Change Strategy is directed towards reducing the Council's carbon footprint and has included a specific action to update the Procurement Strategy for the inclusion of green and local issues.

The key legislative requirements are set out in:

- Public Contract Regulations 2015 (New regulations come into effect 26 February 2015)
- Equalities Duty Act (2010)
- Localism Act (2011) including Community Right to Bid and Community Right to Challenge
- Public Services (Social Value) Act (2012)
- The current draft of the National Procurement Strategy (due to be operational from mid-late 2015)

## RESPONSIBILITIES

### The Director of Resources

As the officer “Procurement Champion” the Director of Resources is responsible for the updating and maintenance of this strategy and the supporting processes.

The Procurement Champion is responsible for ensuring:

- The strategy is in place, reviewed and updated on a regular basis;
- The strategy is communicated to Directors for implementation;
- The implementation of the strategy to the extent that it mandates compliance with processes and procedures is monitored across services and that an effective reporting system is in place to report breaches or weaknesses to the Finance and Performance Management Cabinet Committee;
- The provision of reports on the effectiveness of the strategy, the performance during the year and any recommendations for improvement to the Finance and Performance Management Cabinet Committee.

### Service Directors

Directors are responsible for ensuring that the compliance requirements of the strategy are effectively communicated to their directorates, that the strategy is followed within their directorates and to participate fully in the development and execution of the strategy.

Directors are also responsible for ensuring that the provisions of the Constitution regarding Contract Standing Orders and Financial Regulations are effectively implemented and monitored within their directorates. There is a requirement to have procurement as a standing item on the agenda for all directorates Management Team Meetings.

### Officer Groups

The Procurement Steering Group is made up of Assistant Directors/Senior Managers from each directorate and is chaired by the Director of Resources. Meetings are held during the year to disseminate procurement policies and practices across the Council and achieve a more consistent and co-ordinated approach to procurement.

The Marketplace User Group is made up of the key order-raising staff from each directorate and is chaired by the Council’s Procurement Officer. Meetings are held during the year and are intended to spread best practice in procurement and the use of the Marketplace system.

## THE STRATEGY

Epping Forest District Council will continue its policy of using best practice procurement approaches and processes. This will assist in the delivery of high quality services to support strategic priorities at good value for money. Long term sustainability will also be promoted, as will the public duties to promote equality of opportunity both within the Council's operations and through the impact of its buying decisions, using effective selection and management of its relationships with its partners and supply chain.

### Delivering the Strategy

One of the key elements to the Government Efficiency Review (October 2010) is that Government has consistently failed to make the most of its scale, buying power and credit rating. In his key findings, Sir Philip Green makes the following recommendations:

- Centralised procurement should be mandated for common categories so that buying power can be leveraged and best practice achieved;
- Government needs to act as one organisation rather than a series of independent departments;
- There is a need for accurate spend and usage data;
- Demand and specifications should be managed down;
- When purchasing on behalf of Government, employees must apply the same principles as if the money were their own.

Another more recent report ('Growing Your Business' by Lord Young, 2013) has made recommendations to attempt to create a simpler and more consistent approach to Procurement across all public sector agencies. It is hoped that this will support small and medium sized enterprises (SME's) and voluntary organisations in gaining better and more direct access to contract opportunities. The recommendations from this report will form part of the [Public Contract Regulations 2015](#), which take effect from 26 February 2015.

### Essex Procurement Hub

Since October 2006, the Council has been a member of the Essex Procurement Hub, along with Braintree, Castle Point, Colchester, Maldon and Rochford. The Hub is a group of procurement specialists who are employed by Braintree District Council to provide procurement expertise to the members that subscribe to the service. The Council will promote efficiency in its own processes and improve its impact in promoting change amongst partners and suppliers.

In 2013/14, EFDC's subscription fee for membership of the Hub was £52,863 – this cost was met entirely by rebates generated by usage of the Hub's frameworks, therefore no charge was paid for this extremely beneficial service (during the same period, savings in excess of £200,000 were made which enables more money to be put towards service improvement for the local community and keeping the District's Council Tax low).

### Partnership and Collaboration

As outlined earlier, the Council Corporate Plan recognises that the Council cannot deliver its objectives in isolation and that there is a need to work with other organisations to help improve efficiency and outcomes using the expertise of others. This may include collaboration, partnering and/or the use of consortia arrangements.

One example of this would be the Procurement Alliance for Essex (PAE). The PAE offers a strategic advice service for Essex local authorities. Our strategy is to use the PAE to help identify joint procurement opportunities and best practice procedures across the County.

The Essex Procurement Hub provides both the expertise to assist with individual member's procurement projects and the opportunity for collaboration in areas of mutual benefit. Before any framework contracts are let the requirements of all members are considered to ensure the widest possible relevance and greatest concentration of spending power. The Hub also provides advice on the use of framework contracts established by other purchasing consortia, such as those established by the Pro 5 group (ESPO, YPO, CBC & NEPO) or the [Crown Commercial Services](#).

### Regulatory Framework

Procurement has to work within a number of controls including EU legislation, the Chartered Institute of Purchasing & Supply's Code of Ethics and internal governance requirements. In addition the Council has other policies which this strategy seeks to align with.

The key control over procurement activities is the Council's Contract Standing Orders as set out in the Constitution. These rules are set at levels to assist in achieving value for money and allow decision making at practical levels (summary provided at Appendix 1).

Our strategy is to ensure that our procurement rules remain relevant and ensure compliance with EU regulations. Failure to comply with EU regulations could result in contracts being ruled illegal and the Council being subject to significant fines. The Public Contract Regulations 2015 will also incorporate the 2014 EU Procurement Regulations into UK Law, and it is vital that EFDC remains up to date and compliant with these regulations.

### Value for Money

A function of procurement is to achieve value for money. We will achieve this by:

- challenging the way things are done and the way services are provided
- by encouraging collaboration with other Essex Procurement Hub members and organisations such as the East of England Local Government Association (EELGA) to take advantage of increased purchasing power
- taking into account the potential impact of a sustainable approach and balancing price with quality (by using 'whole life costs' for example)



## Sustainability

In support of the Climate Change Strategy and the Safer, Cleaner, Greener Strategy efforts will continue to reduce the Council's carbon footprint and environmental impact. The Council will use its procurement strategy to promote long-term sustainability in its own operations, reduce its carbon footprint through its own services and its supply chain, consistent with meeting value for money criteria.

There are a series of actions to support this approach:

- Educate, train and encourage internal procurers and commissioners to review their consumption of goods/services, reduce usage and adopt more environmentally friendly alternative products
- Consider the costs and benefits of environmentally preferable goods/services as alternatives
- Investigate the impact of the Council's expenditure on goods and services, via purchase spend analysis, to identify potential environmental impacts
- Investigate opportunities for the recycling and re-use of materials where appropriate
- Assess the environmental and corporate risks to the organisation with a commitment to continually improving sustainable performance related to the supply chain
- Work in partnership with other organisations, such as buying consortia to improve sustainable procurement
- Ensure that, where appropriate, suppliers' environmental credentials are, as far as legally practicable, considered in the supplier evaluation process and that environmental and equality and diversity criteria are used in the award of contracts
- Ensure that consideration is given to inclusion, within all specifications, of a facility for suppliers to submit offers for environmentally friendly alternatives
- Specify, wherever possible and practicable, the use of environmentally friendly goods
- Aim to provide goods and services at best value to the Council
- Address barriers to entry to encourage Small and Medium Sized Enterprises (SMEs), local suppliers and the voluntary sector to bid for the Council's business
- Educate our suppliers regarding the Council's environmental, sustainability and equality and diversity objectives
- Encourage and persuade suppliers to adopt environmentally friendly processes and supply environmentally friendly goods/services
- Work with key suppliers to make changes and thereby extend sustainability improvements throughout the supply chain
- Comply with all relevant environmental, health & safety, equality and diversity, disability, race relations, social responsibility and employment legislation

### Forward Planning

Forward Planning, particularly of major expenditure, is essential to maximise the potential savings through efficient and effective procurement. Planning annual procurement activity in advance will enable officers to undertake procurement in a more structured manner, identify options and prepare properly.

Specifications should include measurable outputs or outcomes, performance standards or other appropriate measures by which the contract can be assessed.

To plan effectively it is essential to maintain and update where necessary a central Contract Register detailing all contracts in place and all future known procurements, both for renewal of existing period based contracts and for new future requirements.

### Contract and Performance Management

Effective procurement is measured by the outcomes and not by the completion of the process. Contracts must be managed throughout their life to ensure that benefits identified in business cases are delivered. Regular review meetings with incumbent suppliers are crucial in ensuring that set Key Performance Indicators and Service Level Agreements are achieved and maintained.

The Council will expand the use of contract management and build on areas of current best practice. This will involve working closely with both the Essex Procurement Hub and the PAE.

Risk will be managed throughout the procurement cycle to ensure that risks are identified and managed by the most appropriate stakeholder. Risks will be added to service risk registers or the Corporate Risk Register where appropriate. All risks will be revisited at key milestones in the procurement process and throughout the life of the contract.

When suppliers and contractors handle information on behalf of Epping Forest District Council, then we will ensure where possible that equivalent processes are applied or seek to influence our supplier's and contractor's standards.

### e-Procurement

e-Procurement is a tool to enable procurement activities, including sourcing, ordering, commissioning, receipting and making payments for the whole spectrum of an authority's activities. The prime objective is to e-enable the management of the supply chain that can be achieved by stand alone, shared or integrated software tools. Technology can be used 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 services. The Council uses an electronic procurement system, the EGS Marketplace system, to place orders. An electronic supplier portal is linked to the Council's website to enable potential suppliers to register their interest in trading with the Council.

### e-Invoicing

As well as using the EGS Marketplace to raise orders, the Council will also be implementing e-invoicing during 2015/16 in an attempt to create further efficiencies and reduce the costs of invoice processing across the authority. This is due to start in the Resources Directorate by June 2015 and be rolled out to the whole authority by March 2016.

## **ACTION PLAN**

An annual action plan for procurement will be produced. This will set out the key work areas and provide a set of measurable targets for the coming year. Progress against those key work areas is monitored regularly in conjunction with the Essex Procurement Hub. The action plan for 2015/16 is attached at Appendix 2.

**APPENDIX 1****THE PROCEDURAL RULES GOVERNING PROCUREMENT**

The Constitution provides guidance on the commissioning of goods and services and is managed through the Contract Standing Orders and Financial Regulations. Officers are required to adhere to these rules when purchasing on behalf of the Council.

Broadly the guidelines can be summarised as follows:

1. A buyer identifies the need to purchase goods/services.
2. Before any tender is conducted or order placed, a budget needs to be approved, following Financial Regulations.
3. Once a budget has been determined, current contracts and frameworks in place should be reviewed to determine whether a supplier is already available. If in any doubt the buyer should check with the Procurement Manager.
4. If yes, then the Marketplace Purchase Order Process is followed.
5. If no contract or framework is available then the buyer will need to follow the Contract Procedure Rules, gaining at least three quotes (spend less than £50,000 over the life of the contract or 4 year period), conducting a full tender process (spend £50,000 or more over the life of the contract or 4 year period) or conducting a full EU tender process (spend on Goods or Services over 4 years >£172,514 or Works >£4,322,012, at January 2014 values).

**NOTE:** *The Public Contract Regulations 2015 state that all contracts above £25,000 in value must be advertised on the Government's website, [Contracts Finder](#). This will represent a significant change from our current procedure, and Contract Standing Orders will be reviewed accordingly to ensure compliance with these regulations.*

6. All contract spend should be assessed on a lifetime value basis.
7. Once a contract or framework is in place, buyers should follow the Marketplace Purchase Order Process to secure the order and record the financial transactions correctly.

**APPENDIX 2**
**ACTION PLAN 2015-2016**

<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Target Date</b>
Continued maintenance of data on the corporate contracts register and Proposed Procurement Register.	Better planning and co-ordination of procurement activities.	Procurement Manager	Ongoing
Continue to hold Procurement Steering Group meetings.	To disseminate procurement policies and practices across the Council and achieve a more consistent and co-ordinated approach to procurement.	Director of Resources	Ongoing
Continue meetings for staff using the Marketplace ordering system (Marketplace User Group)	Improved staff satisfaction with the ordering system	Procurement Manager	Ongoing
Advertise and encourage staff to complete the Procurement e-learning module.	Greater compliance with Contract Standing Orders (CSO), Financial Regulations and EU/UK Procurement Regulations	Procurement Manager	June 2015
Review Contract Procedure Rules in the Constitution.	Updated Contract Procedure Rules in the Constitution. Publicised to staff within Council.	Director of Resources	March 2016
Review and update the Council's Procurement Toolkit on a regular basis.	Ensure a simple guide is available to assist members of staff who are undertaking varying procurement exercises.	Procurement Manager	September 2015
To encourage use of the Essex Procurement Hub where possible.	Ensuring best value is being obtained in the Council's procurement activities.	Director of Resources / Procurement Manager	Ongoing
To amend the Council's Contract Standing Orders to align with the changes brought about by the Public Contract Regulations 2015.	Contract Standing Orders are updated and ensure the Council's compliance with Public Contract Regulations 2015.	Director of Resources	September 2015
To successfully implement an e-invoicing process across the authority.	Improvement in Council's invoicing process, resulting in increased efficiencies and less time taken to pay suppliers.	Assistant Director (Accountancy) / Procurement Manager	March 2016

## APPENDIX 3: Glossary of commonly used procurement terms and acronyms

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**Best Value:** Often defined as ‘value for money’, Best Value is the optimum combination of whole life costs and quality to meet the customer’s requirement.

(Source: Draft Joint note on social issues in purchasing 2005)

**Collaboration:** In this context, public sector organisations that engage in a joint procurement for works, services or supplies with the intention of obtaining better value for money through economies of scale and reduced tendering costs.

**Commissioning:** Commissioning is a broad concept and there are many definitions, the following definition from the Audit Commission perhaps best captures the key elements of the commissioning tasks: “*Commissioning is the process of specifying, securing and monitoring services to meet people’s needs at a strategic level*”.

**Competitive Tendering:** Awarding contracts following a process of obtaining competing tenders.

**Contract:** A binding agreement between two or more parties that is enforceable in law.

**Contract Management:** The activities of a buyer before, during and after a contract period to ensure that all parties to the contract fulfil their contractual obligations. An important aspect of this is managing the relationships between all parties in the most effective way so as to ensure the contract meets the optimum combination of cost, time and quality.

(Source: Adapted from CIPS definition in the contracts management Knowledge Summary)

**E-Procurement:** is the ability to purchase/sell through electronic trading via the Internet.

**Evaluation:** A detailed assessment and comparison of offers made by the Council in accordance with published criteria of responses to a request for quotations or tenders.

**Framework Agreement:** A framework agreement is a general term for agreements with suppliers which set out terms and conditions under which specific purchases (call-offs) can be made throughout the term of the agreement.

**Invitation to Tender (ITT):** A formal document inviting an organisation to tender to provide services or, supply goods to or carry out works for the Council. It will include the instructions for submitting a tender, the specification for the requirement, the criteria against which the tender will be assessed, the proposed terms and conditions for the contract and, sometimes, a business questionnaire.

**Key Performance Indicator (KPI):** KPIs are placed against certain elements of a contract or SLA and indicate the items that are to be measured to see if the contractor has achieved the required contract standard.

**MEAT:** Most Economically Advantageous Tender.

**Method Statement:** A document used in the invitation to quote or to tender which sets out specific questions for the bidder to answer to explain to the Council how a service is to be delivered/works to be carried out. It will be evaluated and form a part of the contract.

**Official Journal of the European Union (OJEU):** The on-line publication in which notices advertising a Council tender that fall within the EU thresholds must be placed at the start and end of all the procurement.

**Pre-Qualification Questionnaire (PQQ):** A document asking the tenderer to provide information about his / her business and experience. Most commonly used in EU level procurements.

**Procurement:** Often used interchangeably with Purchasing. Procurement is the totality of acquisition starting from the identification of a requirement to the disposal of that requirement at the end of its life. It therefore includes pre-contract activities e.g. sourcing and post contract activities e.g. contract management, supplier relationship management activities. Procurement generally relates to goods, works and service(s) requirements.

**Public Procurement Directives:** The EU procurement Directives set out the legal framework for public procurement. They apply when public authorities and utilities seek to acquire goods, services, and works. They set out procedures which must be followed before awarding a contract when its value exceeds set thresholds.

**Quotation:** An offer by a supplier to supply goods or services or to carry out works requested either orally or in writing.

**Regulations:** The Public Contracts Regulations 2006 that implement the various EU Procurement Directives

**Risk Management:** Involves three key activities, risk analysis, risk assessment, and risk mitigation, all of which facilitate the taking of decisions and actions to control risk appropriately by providing a disciplined and objective approach.

(Source: [www.cips.org](http://www.cips.org) Knowledge Summary on risk management)

**SME:** In this context Small and Medium Enterprises (businesses).

**Specification/Statement of Requirements:** A description of the requirements for the service or of the service to be provided.

**Supplier Relationship Management:** (SRM) is the discipline of strategically planning for, and managing all interactions with contractors that supply goods and/or services in order to increase the value of those interactions. In practice, SRM entails creating closer, more collaborative relationships with key suppliers in order to uncover new value and reduce risk.

**Tender:** The offer submitted by the tenderer in response to the Invitation to Tender.