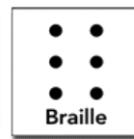
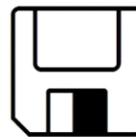
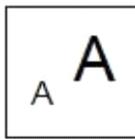


PROCUREMENT STRATEGY



Responsible Section/Team	Finance	Version	Final Version 2
Responsible Author	Head of Financial Services	Due for review	1.11.2012
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1. **Purpose**

This is Rossendale Borough Council's second Procurement Strategy and replaces the one agreed in 2006.

The main purpose of this updated Strategy is to:

- State the Council's overall policy and its medium term objectives for procurement (i.e. the acquisition of goods and services from third parties) and to create a framework for procurement across the Authority, which will be monitored and updated regularly to ensure continuous improvement.
- Recognise the role that procurement plays in the area of work force issues, diversity, equality and sustainability. In particular the role of local businesses and small to medium-sized enterprises (SMEs) to the economy of Rossendale.
- Give an overview of the Council's existing approach to procurement and compare that with current best practice and where it wants to be in the future.
- Maintain a balanced approach to the differences involved in the commissioning of services at a corporate level to those of procuring goods and services at a departmental level.

The strategy needs to be a living, evolving and enabling document for both staff, Members, partners and ultimately customers.

2. Introduction and Context

Rossendale Borough Council is a semi-commissioning District Authority within East Lancashire. The Authority delivers its services directly and through partnership arrangements; which facilitates a flexible organisational approach to evolving and changing priorities. The Council owes a duty to the citizens of Rossendale to manage its resources efficiently and to deliver cost effective, value for money services. The manner in which it carries out its procurements to acquire the goods, services, materials and equipment it needs to operate, is an important element of this and is articulated by one of the council's six corporate objectives: "Providing Value for Money Services".

It is essential that the Council purchases intelligently and makes the most of competitive procurement from a mixed economy of service providers. The procurement process spans the whole-life cycle from identification of need to the end of the useful life of an asset and ultimate disposal.

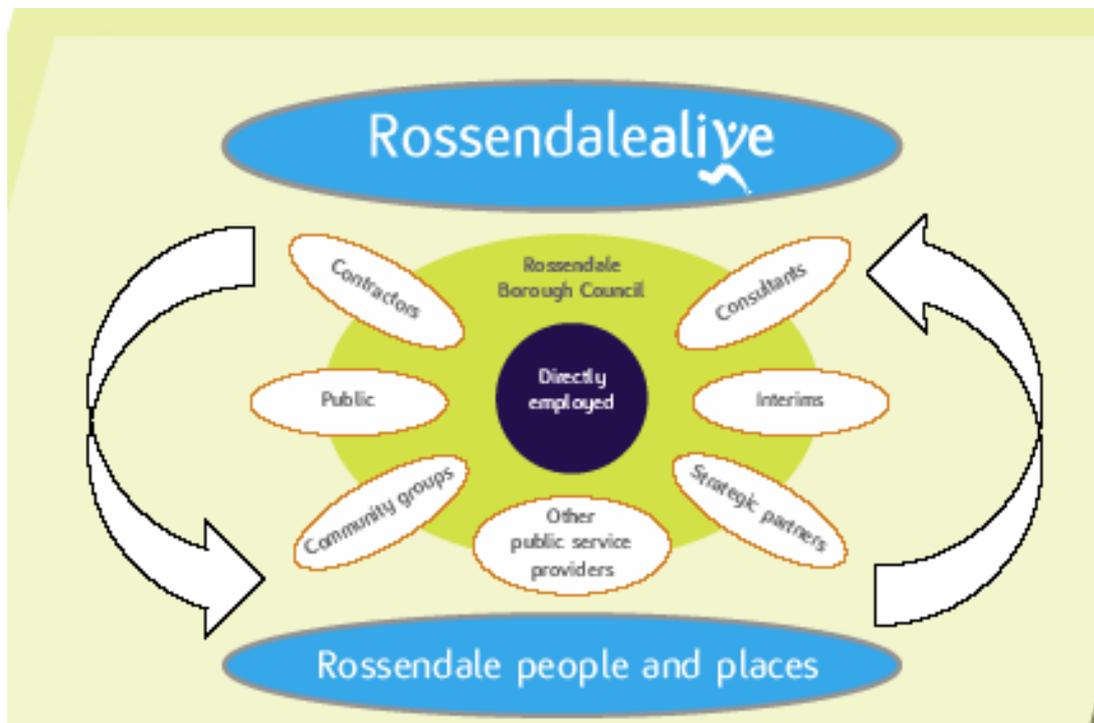
Whilst local authorities have traditionally been the direct provider of a wide range of services, there are now opportunities to bring greater investment and capacity into the Borough by providing these services in different ways. Capacity building includes developing diversity of service provision, as well as building the understanding and involvement of local people to ensure we co-produce the outcomes that matter for the Borough. Alongside this; we remain committed to the continuous improvement of services and functions we provide directly.

Rossendale Borough Council needs to attract greater investment through effective procurement and partnering arrangements in order to:

- Maximise capacity
- Meet the expectation of lower council tax rates
- Generate vibrant and accountable local democracy and meet the expectations of the community
- Ensure the continued delivery of economies and efficiencies
- Embed best practice and risk management into the supply chain

3. Where are we now?

The diagram below demonstrates the Council's chosen capacity building model:



This Procurement Strategy seeks to:

- Promote the opportunities in the capacity building model to secure the form of service delivery which best meets the needs of the customers and communities we serve.
- Meets the challenges of the Comprehensive Spending Review (CSR07) efficiency agenda and future challenges.
- Focus investment in priority customer focused services.
- Deliver cost effective, efficient, value for money services and contribute to low rates of council tax. *(NB: Details of forecast efficiency saving will be included on individual council tax bills).*
- Continue to evolve working practices to deliver significant savings through collaborate procurement whilst addressing such issues as sustainability.
- Drive change and improve procurement performance to generate best value and shape markets.

4. Procurement Objectives (where we want to be)

4.1 Externally Driven Performance Monitoring – Corporate Area Assessments (CAA)

Part of the requirements within CAA is that the Authority has to evidence working with other regional public sector partners.

<http://www.audit-commission.gov.uk/localgov/audit/CAA/Pages/default.aspx>

By linking our planned procurement activities, where appropriate, the Authority is able to:

- Access regional and national public sector frameworks.
- Consider shared services and collaborate inter authority procurements led by the Lancashire Procurement Hub.
- Evidence an effective Use of Resources (UoR) focusing on evidence based outcomes rather than processes.
- Demonstrate that the Council has a sound understanding of its costs and performance whilst achieving efficiencies in its activities.

4.2 Collaborative Partnership Working

The Authority continues to work with the Lancashire Procurement Hub to improve efficiencies generated through:

- Electronic trading.
- Detailed spend analysis of goods and services.
- Collating information of how goods and services are purchased.
- Reviewing current contracts with renew or replacement dates.
- Reviewing the performance of key suppliers.
- Plan future procurement exercises anticipated by the Council.
- Internally manage the demand for goods and services ensuring alignment to corporate priorities.
- Controlling, Developing and Shaping the supplier market by effective supply chain management, taking costs out of the supply chain over the lifetime of a contract.
- Reviewing the performance of the procurement function.
- Identifying skills and training needs.

5. The Council's Overall Strategy on Procurement

Maintaining a robust Procurement Strategy will play an integral part in the delivery of the Council's vision. The Council is committed to the delivery of excellent and continually improving services and the concept of value for money to its customers; by amongst other things the continued adoption of modern approaches to procurement incorporating current best practice. With this in mind officers will commence further consultation and dialogue and make future amendments as necessary to the Procurement Strategy on a regular basis.

Within the Chief Executive's Directorate Business Plan annual targets are set for all procurement activities. The achievement of the Strategy is a systematic process. In broad terms, at operational level, the Council will initially improve procurement in collaboration with key stakeholders in order to:

- Enable the standardisation, as far as possible, of consumables and equipment throughout the Council and regionally, ensuring the involvement of internal and external stakeholders.
- Use the e-purchasing system to control and restrict
 - orders to preferred suppliers
 - consumable orders to only the Council's preferred basket of goods (e.g. consumable type, brand & quality, etc.)
 - Enable online ordering and payments for goods & services
 - Search for goods via online preferred supplier catalogues
 - Restrict purchase where department budgets do not exist for the supply in question
- Recognise the environmental and local economic impact of purchasing decisions, and incorporate this within the decision making process in line with the Council's Environmental Strategy and The Small Business (SME) Friendly Concordat
<http://www.communities.gov.uk/publications/localgovernment/smallbusinessfriendly>
- Ensure opportunities are advertised to local businesses in a more proactive manner. Encourage local suppliers to work with local Authorities; that they are supported during the procurement process, helping remove any perceived barriers that may currently exist.
- Ensure the public consultation phase, ensuring that in the public interest contracts a public consultation phase is carried out and, if appropriate, customer satisfaction surveys subsequently evaluated
- Incorporate procurement issues (alongside, Financial, Risk, Legal, etc.) into all formal reports to both Members and the Senior and Executive Management Team.
- Benchmark the procurement service against industry indicators to assess performance

5.1 Internal capacity, staff and skills

The need for resource and skills should be reviewed on a regular basis. It may well be that at the start of each new project procurement expertise has to be brought in on an ad hoc needs basis, in line with the organisations capacity building model.

The role of offices will, amongst other things, be:

- Manage the process in line with the Procurement Strategy
- Champion business process improvement
- Vigorously evaluate alternative service delivery, including cross – service procurement
- Ensure that all stage decisions are supported by an audit trail and evidence
- Report to Members as required by Council policies
- Use the procurement function as a source of excellence
- Encourage best practice within enterprise, commerce, regeneration, employment within regulatory and non-discriminatory guidelines

5.2 Members (Councillors)

It is important that an informed workforce is supported by equally well informed Members in the delivery of an efficient and effective Procurement Strategy.

The Council has also established a Cabinet structure and created a Finance & Resources portfolio holder within the Cabinet membership. In doing this Members are able to demonstrate leadership for wider financial issues, including those of procurement. This has evolved into an enabling role of “Financial Management” as a result of the Council’s stronger financial base; this helps support other corporate priorities for improvement. This in itself demonstrates and is evidence of how the procurement strategy supports the Council’s wider corporate objectives and priorities, including issues of probity and governance.

Members should take responsibility for scrutinising the procurement process and monitoring the outcomes. Clear political responsibility should be established for commissioning and securing services on behalf of the people of Rossendale, this should come from the top - Leader, Chief Executive and Member Procurement Champion through their resourcing and strategic management.

Members oversee procurement through their following roles and responsibilities:

Member Roles	Responsibilities
Providing leadership	Setting policy and strategic direction Sponsoring the benefits of effective procurement through the leading role given to the Cabinet portfolio holder (Member Procurement Champion)
Representing customers	Using effective procurement to deliver the Council's Corporate priority delivering quality services to our customers
Approving and scrutinising decisions	Procurement Decisions for certain criteria of contract to be approved by Cabinet. The Standards Committee will monitor adherence to Council regulations and Codes of Conduct.

Regular training updates for all Members will be required on key procurement issues, such as European Union procurement law, sustainability issues, standing orders and contract management. On major procurement projects Members will be asked to be part of the project steering groups, ensuring that the projects remain in line with Council policy.

The identification of training needs for Members will reflect the specific requirements for Members involved in major procurement projects and the general requirements of increasing Member understanding in relation to application of good practice procurement. The training needs will be identified in consultation with all of the political groups.

The Strategy demonstrates the Council's leadership in procurement. The strategic importance of procurement is reflected in a Cabinet finance portfolio and procurement champion under the wider remit of "Finance and Resources". The Cabinet therefore has a prime responsibility for the Procurement Strategy and performance.

5.3 The Council's Constitution

The Council constitution, in particular Contract Procedure Rules, is periodically reviewed in light of new practices and tendering techniques brought about by, amongst other things, modern IT systems. Members and Officers must ensure the standing order procedures do not put the Council at

a commercial disadvantage but yet still maintain good purchasing practice, public accountability and deter corruption. Standing orders should be used positively to promote good practice, promote effective and efficient procurement whilst maintaining safeguards of probity and good governance.

5.4 Electronic Procurement

It is important to understand that electronic procurement is key to delivering a successful Procurement Strategy, but it is a means to an end, not the end in itself.

In the long term, the strategy will be to deliver a web-enabled electronic procurement solution that will link the supply chain from point of need to the point of payment. A system that fully integrates with the supplier base and enables electronic orders, delivery notes, invoices and returns will be the ultimate objective of the e-procurement strategy. This system will release resource from an administration intensive activity and bring about significant financial savings in processing costs for redistribution into priority areas of the Authority.

Electronic procurement will form an integral part of the back and front office platform. It will be one of the main components necessary to enable the organisation to manage its assets more effectively and efficiently.

5.5 Partnering and collaboration

The Strategy will ensure the Authority participates in the creation and maintenance of partnering and collaboration and the maintenance of purchasing consortia in the region.

Fulfilment of this culture change, particularly as the Council moves to the area of frontline statutory services brings with it some key challenges and skill requirements. The area of client side contract performance management is dealt with below, other considerations include:

- Negotiation and specifications based on outcomes, rather than an historical contract tendering outputs approach
- Risk assessment and management
- Members' leadership and scrutiny roles
- Optimisation of efficiencies and effectiveness
- Exit strategies

5.6 Management of Internal Performance

The Council adheres to the Prince II project management methodology which identifies a number of key criteria and outcomes:

- *Project management*: the planning, monitoring and control of all aspects of a project and the motivation of all those involved in it to achieve the project objectives on time and to the specified cost, quality and performance
- *Need for a Business case*: Information that describes the setting up and continuation of a project. It provides the reasons (and answers the question 'why?') for the project and an options appraisal
- *Due Diligence*: The process of investigation, performed by parties and potential partners, into the details of a potential partnership or other relationship such as an examination of, operations, management and the verification of material facts or assumptions
- *TUPE*: an acronym for the 'Transfer of Undertakings (Protection of Employment) Regulations 1981 Act'. The Regulations preserve employees' terms and conditions when a business or undertaking, or part of one, is transferred to a new employer. Any provision of any agreement (whether a contract of employment or not) is void so far as it would exclude or limit the rights granted under the Regulations
- *Post procurement project monitoring and evaluation*: The continued scrutiny of the procurement its outcomes and relationship to ensure that agreed performance criteria are being delivered to agreed cost and time constraints
- *Risk management*: Managing those events and obstacles which may potentially jeopardise project delivery
- *The need for designated client side ownership*: The ownership by an individual, group or third party who, on behalf of the Council, agree to monitor and evaluate agreed performance and outcomes of a contracted supplier of goods or services and take corrective or appropriate action where agreed performance or outcomes are not being met
- *Lessons learned*: in undertaking the project including statistical data from the quality control management side of the project. It should be a formally adopted document to be used for the benefit of future projects

5.7 Client Side Contract Performance Management

The letting of a contract is only a secondary phase in ensuring delivery of the key performance targets in any contract. Prior to contract letting the Council will endeavour to ensure that bidders are able to demonstrate their track record in achieving value for money through effective use of their supply chain. The move from traditional adversarial relationships to partnerships requires an acceptance of 'mutual benefit' in a contract, highlighted by an open book, honest and transparent relationship where trust exists between the partners.

The Strategy will ensure that all contracts include key outcomes for performance and agreed milestones; ensuring that the Council acts as an intelligent client in monitoring contracted performance. These outcomes will include matters promoting equalities, diversity and good governance.

Contract performance management will be delivered by officers who are in regular contact with service and goods providers. All officers involved in these Council roles will be trained and supported. The setting of key performance indicators will enable officers to track performance against contracts on a regular basis, thus enabling failure to meet these targets to be identified, rectified or compensated. All suppliers will be encouraged to adopt a performance measurement system which leads to continual improvement.

Amongst other things the strategy will ensure:

- All Council medium & high value contracts above 12 months to be subject to senior management approval
- All Council medium & high value contracts above 4 years to be subject to Member approval at Cabinet level.
- All Council medium to high value contracts to include measurable performance targets and service standards with agreed milestones
- All Council medium to high value contracts to have clearly identifiable Client representatives
- All medium to high value contracts to incorporate appropriate time periods to allow for formal review by all parties – minimum requirements being quarterly

This will ensure that the risk to the Authority of entering into debilitating or less than best value contracts is reduced to a low and acceptable level.

NB - Low, Medium & High value contracts are defined in the Councils Constitution

6. Improvement and Development Plan (to get us to where we want to be)

6.1 Benchmarking of the Procurement Service

The Authority subscribes to the CIPFA Procurement Value for Money Indicator benchmarking service to compare and report on the Authority's performance against other public sector organisations.

6.2 Local Performance Indicators

In addition the following performance indicators have been developed within the Chief Executives Directorate Business Plan to monitor the progress of the Strategy against agreed annual targets:

Local performance Indicator Code	Measure	Outturn 2008-09	Outturn Target 2009-10	Outturn Target 2010-11	Outturn Target 2011-12
LPI 9	Spend with local suppliers	£948k	£1m	£1m	£1m
	%ge of spend through collaborative arrangements	22.2%	30%	40%	50%
	Electronic Payment - %ge by volume	74%	90%	95%	95%

6.3 Sustainability

The Flexible Framework produced by the Sustainable Procurement Task Force is now seen as a national baseline for the adoption of sustainable procurement principles. The Authority has committed to achieving Level 1 of the framework by 2010, Level 2 by 2011 and Level 3 by 2012

http://www.nwce.gov.uk/view_resource.php?id=188

6.4 Engaging with the third sector

Increasing our engagement with SMEs and the voluntary and community sector in the provision of services, ensuring they have sufficient opportunity to bid for work supporting them to understand of our processes and requirements. Where appropriate including transparent and non discriminatory relevant social benefit clauses within a contract, such as offering apprenticeship schemes, promoting equalities and diversity.

6.5 Equality and Diversity

The Council will promote and continue to develop diverse and competitive sources of supply including procurement from small firms, ethnic minority businesses, social enterprises, voluntary and community organisations. In the right circumstances this supply source may offer better value for money to the Council than larger organisations.

The Council is:

- Signed up to the Local Strategic Partnership (LSP) Sustainable Community Strategy which sets out a shared vision and direction to improve the quality of life for people who live, work in and visit Lancashire
- Refreshing our “Compact” with local voluntary and community groups in line with updates in the national Compact <http://www.thecompact.org.uk/>
- Continue to promote our ‘How to do business with the Council’ guide and advertise tenders on our website
- signed up to the Small Business (SME) Friendly Concordat
- Participating in “Meet the Buyer” events regionally and locally
- Adopting the North West Improvement & Efficiency Partnership (NWIEP) standardised contracting documentation, embedding best practice equalities and sustainability evaluation criteria in respect of all significant procurement exercises <http://www.nwce.gov.uk>
- Continuing to support procurement and other officers in their promotion and support to the business community, particularly those who may have difficulty accessing modern ICT systems.
- Continuing to promote and positively influence matters of equality and diversity, via amongst other things, Council contracts.

6.6 Monitoring and Review

Progress on the Chief Executive’s Directorate Business Action Plan will be monitored in accordance with the Corporate Performance Management Framework. In particular, an annual review will be undertaken to ensure that the strategy and other Council policies and guidelines continue to meet the Council's overall aims and priorities. Monitoring of the impact of the Procurement Strategy will be accomplished through the quarterly supply of performance indicators in an Integrated Performance Report to Overview and Scrutiny Committee. These indicators and targets will be reviewed annually in the Business Planning Process.

The Council welcomes comments from any interested group or individual in the further development of this Procurement Strategy. Please email procurement@rossendalebc.gov.uk with feedback comments.