



REPORT TO EXECUTIVE

Minute Ex 21/01 refers.

PORTFOLIO AREA: STRATEGY AND PERFORMANCE PORTFOLIO

Date of Meeting: 15 OCTOBER 2001

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

Title: CORPORATE PROCUREMENT STRATEGY
Report of: DIRECTOR OF ENVIRONMENT AND DEVELOPMENT
Report reference: EN 163/01

Summary:

To consider and recommend to Full Council the adoption of a Corporate Procurement Strategy

Recommendations:

1. To recommend to Full Council the adoption of a Procurement Strategy within the Council's Policy framework
2. To note progress on supporting documents and nominate Responsible Officers
3. To establish an Officer Working Group to monitor Procurement
4. To refer further detailed development to the Executive Portfolio holder for Strategy and Performance

Contact Officer: Alan Wood

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1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 The Best Value Legislation for Local Government requires local authorities to review and revise its procurement procedures to ensure compliance with the aims of Best Value and runs in parallel with the Council's Review of Standing Orders and Financial Regulations.
- 1.2 The Procurement Strategy (Appendix 1) sets out the Council's proposed position. The Procurement Strategy is a general over-arching document which is supported by other documents and policies, as shown more clearly in the chart in Appendix 2.
- 1.3 The Procurement Strategy has been prepared by the Officer Best Value Working Group with input from the Corporate Management Team.
- 1.2.0 **Position Statement On Documentation**
 - 1.2.1 The Executive are asked to recommend the adoption of the Procurement Strategy to full Council as part of the Council's Policy framework, noting that further work is needed on e-Procurement.
 - 1.2.2 The position on the other documents as shown on Appendix 2 is as follows: -
- 1.3.0 **Procurement Manual**
 - 1.3.1 As can be seen this comprises two Manuals one for Commissioning (large value, complex or strategically important services) and one for more straightforward Purchasing. The manuals basically state how goods and services are to be provided and are currently 95% complete. Following acceptance of the strategy, the Procurement Manual will be finalised involving the Executive Portfolio Holder for Strategy and Performance.
 - 1.3.2 On the recommendation of the Corporate Management Team it is proposed that the responsible Officer for ensuring compliance with the Commissioning Manual is the Building and Contract Services Manager in Design Division, and for the Purchasing Manual to be the Support Service Manager in the Corporate Purchasing Unit, both in the Department of Environment and Development.

1.4.0 Evaluation and Appraisal Policy

1.4.1 This has been completed in Draft Form and as above will be presented to Executive Portfolio Holder for Strategy and Performance. This Policy is virtually a restatement of sections of the Procurement Strategy and is produced separately to give evidence of the existence of a policy.

1.5.0 Baseline Document

1.5.1 Compilation of these documents is underway and will be completed by end October 2001. The Document will refer to where in the Council information is held (e.g. Register of Tenders held by Internal Audit; list of suppliers held by Corporate Purchasing unit) rather than be a comprehensive document in its own right.

1.6.0 Continuous Updating

1.6.1 The Procurement Strategy will be live and dynamic, being continually updated for example as other procurement methods and new technologies are researched and investigated (e.g. credit / debit cards; purchasing consortia; e-commerce).

1.7.0 Member participation

1.7.1 The level of Member involvement and participation will be developed in conjunction with the Executive Portfolio Holder for Strategy and Performance as part of the consideration of the procurement Strategy. If subsequently deemed necessary an application can be made for Training from the Member's Training Budget.

2. CONSULTATION

2.1 The Corporate Management Team have considered the draft report of the Best Value Officers Working Group.

3. STAFFING/RESOURCES COMMENTS

3.1 A core level of activity supporting the Procurement Strategy is currently provided from existing resources. However future resource implication will evolve and it is anticipated that this situation will be clearer by January 2002. It is recommended that an Officer Working Group is established to monitor procurement generally and report to the Executive Portfolio Holder for Strategy and Performance, comprising initially the Building and Contract Services Manager, the Support Services Officer [Corporate purchasing Unit] and the Corporate Finance Manager.

3.2 Further resource implications are contained in City Treasurers comments below.

4. CITY TREASURER

In order to assist with the development of the Procurement Strategy and purchasing related issues, an operational budget will be required, for example to fund tendering related costs etc. This could be achieved by retaining part of the savings resulting from the recent review of stationery and office equipment procedures. The savings achieved by the stationery review is £16,000 and it is recommended that £5,000 be retained for the above role. Overtime, the development of the authorities purchasing procedures will result in further savings to the authority, and it is recommended that this be monitored by the Officer Working Group.

5. LEGAL COMMENTS

The City Solicitor and Secretary supports the recommendations in this Report.

6. CORPORATE COMMENTS

Minor amendments suggested by Corporate Management Team have been incorporated into the Draft Procurement Strategy.

7. ENVIRONMENTAL IMPLICATIONS

The Procurement Strategy does not in itself have any environment impact. However all specific Procurement decisions taken will need to assess energy and pollution issues, any impact on the physical environment together with the impact on the local economy. These issues would be addressed for each procurement process in compliance with the Council's prevailing policies and strategies.

8. RECOMMENDATIONS

8.1 The Executive are recommended to recommend to Full Council the adoption of the Procurement Strategy as part of the Council's Policy framework.

8.2 The Executive are recommended: -

8.2.1 To note the progress made on the supporting documentation and nominate the Building and Contract Services Manager as the responsible Officer for the Commissioning Manual and Support Services Manager for the Purchasing Manual.

8.2.2 To establish an Officer Working Group to monitor procurement and to note a future report will address resource implications.

8.2.3 To ask that details be developed with the Portfolio holder for Strategy and Performance to determine the level of Member participation and the need for Member training.

9. REASONS FOR RECOMMENDATIONS

To ensure compliance with Best Value principle in adopting a Procurement Strategy.

CARLISLE CITY COUNCIL

PROCUREMENT STRATEGY

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1. Background and Introduction
2. Duty of Best Value
3. Option Appraisals
4. Competitive Tendering
5. Partnerships
6. e-Procurement
7. Green Procurement

1.0 Background and Introduction

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

Carlisle City Council is committed to a mixed economy of procurement options and the aim of the procurement strategy is to achieve value for money.

The Council believes that effective procurement is central to the achievement of Best Value. All decisions about how to purchase goods and supplies or how best to provide services are procurement decisions. Such decisions must reflect the Council's core aims and objectives as set out in its community plan and other strategic documents.

This document sets out the Council's strategic approach to procurement referring to the legislative framework within which it must operate. It should be read and used in conjunction with other key strategic documents. This document is concerned with key principles and is not a 'procurement manual'.

The Council's choices about procurement can in themselves contribute to the achievement of economic, social and environmental objectives and must therefore be consistent with those objectives.

The Council believes that in-house services can provide a high quality, flexible framework for developing and delivering services, but acknowledges that this is only one of many potential service delivery options. The Council expects in-house providers to identify and demonstrate an appropriate balance between being best on quality, equality, value for money, employment practices and sustainability. The Council will support in-house providers, only where they offer value for money and operate in the best interest of service users.

2.0 Duty of Best Value Legislation and Regulation

The Best Value legal framework consists, briefly of: -

- Statute: Part 1 of the Local Government Act 1999 (The Act)
- Regulations; principally the Local Government (Best Value) Performance Plans and Review Order 1999 'the Regulations')
- Guidance; DETR Circular 10/99 'Local Government Act 1999 Part 1 Best Value ('the Circular')

Within the legislation the Secretary of State has power to issue regulations should he feel an Authority is not conducting Best Value Reviews in accordance with best practice.

The Act and supporting guidance impacts on the Council as follows: -

Section 3 imposes a duty on the Council to make arrangements to secure continuous improvement in the way in which it exercises its functions, having regard to a combination of **economy, efficiency and effectiveness**, it also imposes a requirement to consult widely in the community.

Section 4 introduces the use of Performance Indicators and Performance Standards and allows the Secretary of State to introduce regulations on both of these.

Section 5 requires the Council to conduct a Best Value review of its functions in accordance with any regulations issued by the Secretary of State and having regard to guidance he may issue.

Section 5(4)(e) is particularly relevant to procurement. Under its provisions the Secretary of State may, by regulations, place a duty on the Council, when it is reviewing a function 'to assess the competitiveness of its performance in exercising the function by reference to the exercise of the same function... by other Best Value authorities and by commercial and other businesses'.

Section 6 gives tangible expression to the outcome of the Best Value review. It requires the Council to propose and publish 'a Best Value Performance Plan for each financial year in accordance with any order or guidance issued under this Section'.

It further provides that an Authority shall: -

- Consider whether it should be exercising the function
- Consider its objectives in relation to the exercise of the function
- Assess its performance in exercising the function by reference to any Performance Indicators specified for the function
- **Assess the competitiveness of its performance in exercising the function by reference to the exercise of the same function, or similar functions, by other Best Value authorities and by commercial and other businesses, including organisations in the voluntary sector**

The Circular expresses Best Value in terms of the 4 C's: -

- Challenge whether a service should be provided, if it could be provided differently and by whom it is provided
- Consult with service users and other stakeholders
- Compare with other service providers
- Compete to ensure performance and value for money are obtained

The DETR expects 'fair and open competition' to play an 'enduring role' in service procurement, particularly where a developed supply market is in existence. Therefore there must be detailed appraisal of the options for demonstrating competitiveness.

3.0 Option Appraisal

The Best Value process will result in an option appraisal, the main procurement options for service are: -

- The cessation of the service, in whole or in part
- The creation of a public-private partnership, through a strategic contract or a joint venture company, for example
- The transfer or externalisation of the service to another provider (with no in-house bid)
- The Market-testing of all or part of the service (where the in-house provider bids in open competition against the private or voluntary sector)
- The restructuring or re-positioning of the in-house service
- The re-negotiation of existing arrangements with current providers where this is permissible
- The joint commissioning or delivery of the service

Most procurement decisions will in effect be make or buy decisions.

- Factors which will be taken into account when evaluating and assessing such decisions may include (refer also to the Council's Policy on Evaluation and Appraisal):-
 - The views of service users elicited during consultation
 - The cost of providing a service including any client side costs
 - The requirement to seek continual improvement in the quality of provision
 - The impact on other council services
 - The impact on the Council's workforce
 - The Council's strategic aims and objectives and the importance of the service to their achievement
 - The impact on the local economy, including that on the future supply of labour

The Council is most likely to consider alternatives to in-house provision where: -

- Performance on quality and/or cost is in the bottom two quartiles and no capacity to improve can be demonstrated
- Investment is needed and is not available from normal public sources
- A new supplier can bring in new or improved technology to deliver significant service improvements or reductions in cost
- Specialist skills or services are required that do not exist within the authority

- Where the in-house provider has failed to reach previously established performance targets
- Where the review process has demonstrated that greater economies of scale can be achieved through joint provision or joint procurement

Evidence in relation to these factors will be gathered during the Best Value review process.

4.0 Use of Competitive Tendering

Where a decision has been taken to 'buy' a service a competitive tendering exercise will be held in accordance with the Council's Procurement Manual. This will comply with the Council's Financial Regulations, Standing Orders and European and domestic legislation. In each case a 'contracting strategy' will be adopted to maximise the efficacy of the process and the value deriving from the resultant contract. This will involve looking at a range of factors, including but not exhaustively:

- The specifications, which should as far as possible reflect desired outcomes, but must be sufficiently robust to protect the interest of the Council and the public
- The length of contract
- The mix, packaging and amount of work to be included in the contract in order to attract as wide an interest as possible
- The selection criteria and procedures to be used which could involve an element of negotiation
- The degree and nature of member input into the process. This will vary from procurement to procurement but will always be sufficient to ensure that procurement decisions are consistent with the overall political aims and direction of the Council.

Widespread consultation will inform this process. This will include all stakeholders including, service users, trade unions, current suppliers and where appropriate representatives of potential suppliers.

The council sees fair employment as an integral part of the Best Value approach to service planning and delivery. Therefore, it will, in so far as is possible within the law, take into account information about the employment practice of prospective contractors and suppliers. The Council is unlikely to contract with organisations that are unable to demonstrate a commitment to and track record of fair employment practice.

Where a transfer of staff under the TUPE regulations is envisaged the Council will look closely at contractors' past records in respect of the treatment of former public sector employees. Trade Unions will be encouraged to provide any evidence they have in relation to these and any other relevant matters.

5.0 Partnering Non Traditional Contracts and Consortia

The council is committed to exploring new and innovative ways of providing services and will in all cases examine the value which could be added through working in partnership with other public sector bodies and where appropriate the private sector.

6.0 e-Procurement

The Council is committed to exploring and taking advantage of the benefits of e-commerce and other new and developing technologies.

7.0 Green Procurement

The Council is committed to creating a healthier local environment and a better quality of life for everyone as more fully outlined in 'A Local Agenda 21' plan for Carlisle.

2.0 Procurement Structure

