

Ashford Borough Council – Procurement Strategy

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1. Executive Summary – Councillor Neil Shorter, Portfolio Holder for Resource Management and Control

Procurement is something anyone can do; but to do it well, consistently and achieve “best value” is not easy – straightforward.

This document sets out a process that has been well thought out, consulted with acknowledged practitioners within the council as well as external consultants.

I advocate this document as it further encourages a sound procurement strategy whilst opening up greater opportunities for our local suppliers and trades people.

2. Introduction

2.1 What is procurement?

Procurement is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the whole cycle, from the initial identification of need through to the end of a contract or the end of the useful life of an asset.

In the context of a procurement process, obtaining “best value for money” means choosing the bid that offers “the combination of whole life costs and benefits to meet the customer’s requirement”. This may not be the lowest initial price option and requires assessing the on-going revenue/resource costs as well as initial capital investment. The council’s requirements can include social, environmental and other strategic objectives and are defined at the earliest stages of the procurement cycle.

The procurement cycle starts at the time someone within the council recognises the need to buy something that is not already covered by a contract, or the time when the council decides to re-evaluate current and potential suppliers. It includes the process of finding, evaluating and selecting suppliers and establishing and monitoring contracts.

The primary objective is to recruit the suppliers who offer the best value in terms of price, service and quality, and who represents the least risk in terms of failure to perform. Whilst value for money is the over-riding factor that determines all public sector procurement decisions, there is also a growing understanding how value for money is calculated, and how “the whole-life cycle requirements” can include social and economic requirements. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract. New legislation under The Public Services (Social Value) Act 2012 complements existing procurement legislation, and guides local authorities to think about how its scarce resources are allocated and used.

2.2 Background

In 2012 the council identified the need to establish a specialist procurement function and procedures within the authority, with an aim to promote effective procurement across the whole organisation, using innovative, sustainable, consistent and modern procurement methods

Consequently, the council has established a corporate procurement function as the focus of excellence for procurement and the driver for mandating, modernising and monitoring procurement across the council. The strategic importance of procurement has also been reflected in the establishment of a councillor as a 'champion' for procurement.

This strategy sets out;

- the priorities for procurement supporting the council's strategic objectives and the Business Plan
- the principles which underpin procurement activity across the council (Contract Procedure Rules, etc.)
- the nature of the council's procurement activity (including elements of payment profile as an overview of activity, compilation of a corporate contracts register)
- key targets for procurement

3. Current Arrangements

This part of the document explains:

- How procurement is currently organised at the council
- How much the council spends on procurement
- Spending profile
- Who spends the money

3.1 How procurement is currently organised at the council

Procurement of services, goods and works are regulated by legislation, standing orders and by financial regulations. In some councils there is strong control over the way contracts are procured and managed. In Ashford there is a strong culture of devolved responsibility. Within each service these requirements have been embodied in officer instructions and other procedure notes designed to provide guidance to staff who are involved in day-to-day procurement decisions.

Policy and regulation are provided by the council's legal, finance and audit teams through contract standing orders and related codes of practice but this mainly concentrates on major contracts.

One of the aims of this strategy is to provide a consistent approach to procurement .

3.2 How much the council spends on procurement of works, goods and services

The council holds data on how much we expend, and who our suppliers are, but our current system doesn't indicate if a supplier has a local presence, or if it's a small and medium sized enterprise (SME)

It is important for us to ensure that this expenditure is categorised, understood and managed appropriately. This will help us to analyse similar types of work, and identify if a contract can be established to cover similar work over different services. It will also help to identify if our commitment to SME's and local suppliers is being addressed successfully, and eventually build year on year improvement targets consistent with the Councils obligations under EU law.

3.3 Spending Profile

In 2012/13 the council's exchequer service paid 94 different suppliers over £40,000 totalling £25,346,733 (86 per cent of all procurement spending) over 8,629 transactions. Over a third of these transactions related to construction projects.

Of the 1075 total suppliers used, 451 suppliers were paid just once during the year. 317 of these suppliers were paid under £1,000

Future trend analysis will provide us with more detail about our suppliers.

3.4 Who spends the money

Most major contract spending is from relatively few contracts and most of the procurement and management of major contracts is carried out by a small group of staff in two departments;

- Community and Housing (repairs and maintenance to council housing, house building)
- Culture and the Environment (waste contract and leisure)

4. Procurement Policy

4.1 The corporate context

This strategy sets out a programme of improvement, to ensure high standards of procurement are achieved and sustained. The council's Contract Procedure Rules (CPR) will be revised and amended to effectively align with this strategy and other key policy and procedural documents. New procurement guidance will provide increased assurance for council officers who procure work, helping them through the procurement process.

The council recognises that the procurement of goods, works and services has a major impact on businesses of Ashford and employment opportunities. The council wants to encourage SME's to compete for council contracts, whilst maintaining its obligations under European Procurement Directives not to positively discriminate.

This strategy will aim to make it easier for local suppliers to do business with the council by promoting more, lesser value contracts. In so doing, the council may incur increased administration costs, but will in turn achieve benefits for the borough.

4.2 Core values and council objectives

The priorities in the council's business plan have been updated, and whilst economic growth, quality homes and design, and the provision of decent quality services are still prevalent, the best services resources allow has shifted in emphasis and is less about reduction in standards due to finances, and more about improving quality by doing things differently.

As an authority we need to approach competition positively, taking full account of the opportunities for innovation and genuine partnerships which are available from working with others in the public, private and voluntary sectors. Importantly, this strategy seeks to balance two priorities;

- Delivering efficiencies and quality
- Sustainable procurement; engaging with local and regional suppliers to promote the local economy

This strategy provides a corporate focus for procurement. It is not a "user manual"; more detail on the procurement process will be found in Contract Procedure Rules and the procurement guidance/toolkit that is being developed. However, the principles contained within this strategy should be applied to all procurement activity.

4.3 Corporate procurement policy

In support of best value, and recognising the council's overall objectives, the following principles have been developed

4.3.1 Procurement principles

- **Identification, management and control of contracts**
Arrangements shall ensure that the need to procure is identified, funding secured, and all contracts are adequately managed and monitored with a view to achieving completion on time, within budget, and in accordance with the specification.
- **Assessing and minimising risk**
The risks associated with all procurements shall be assessed and minimised accordingly. Financial and insurance requirements for suppliers should be simple and proportionate to the project.
- **Qualified and experienced staff resources**
Staff engaged in procurement and contract management shall be suitably qualified and trained for the purpose.

- **High professional standards and best practice**
All procurement procedures shall be operated in a professional manner and ensure the highest standards of transparency, probity and accountability. The strategy provides the framework for consistent, high quality procurement.
- **Packaging of projects**
All procurement shall consider the potential benefit to the social, economic and environmental wellbeing within the borough, and have due regard to the issue of sustainability. We will take into account factors such as total lifetime cost, quality, technical capability, after sales service and innovative ideas, as well as track records of service and financial stability. This does not mean we always buy from the cheapest supplier. Where possible, encouragement should be given to local suppliers to bid whilst avoiding disaggregation, within EU legislation – facilitating the opportunities for local companies.
- **Local suppliers/contractors**
The council wants to support local businesses as well as Small and Medium sized Enterprise (SME).

Our definition of a 'local' supplier is one whose majority of workforce resides within the borough of Ashford.

A recent stakeholder survey of SME's highlighted certain issues which they felt made it difficult to do business with the council.

Contractors felt that if contract packages were too large, they would typically be excluded at selection stage and the project may be unmanageable for them.

Contractors had mixed feelings about the maximum length of a contract. If they won a contract then they would want the term to be as long as possible. However, they recognised that this limits the opportunity for the work to be re-tendered. On balance, the contractors felt that 3-5 years was the optimum period they would prefer. As such the term of a contract should not be longer than 5 years in duration, unless the business case justifies a longer term.

Continuity contracts are favoured by SME's as they provide continuity of work, financial stability and workforce retention. This can also provide the added benefit to officers, saving time advertising and tendering projects. Continuous improvement targets should be built into continuity contracts where reasonably practical, in an on-going effort to improve products, services or processes, and understanding that the targets set should focus on win-win solutions based on negotiated outturns and service reviews.

Contractors felt that the use of a standardised Pre-Qualification Questionnaire (PQQ) within the authority would provide them with time and cost benefits, and were keen to use the government standard questionnaire PAS91 2013 for construction related projects (providing answers once, that can be used on future bids).

Lack of awareness of tendering opportunities was highlighted. Contractors were aware of the South East Business Portal (SEBP) was used to advertise tendering opportunities, but also felt that our website could be further utilised.

Delivering this strategy will seek to address these issues and help to remove the perceived and actual barriers that SME's feel are evident when trying to do business with the council.

4.3.2 Forward plan

An action plan has been developed which will deliver the aims of this strategy. The plan has been divided into four distinct sections which detail at length the work plan and target dates.

The procurement officer will lead on the aspects detailed in the action plan, supported by those officers within the council who procure.

The main headings contained with the action plan are listed below, with some brief detail;

Corporate approach to procurement

Clear, user-friendly procurement guidance will be developed to help officers who procure, incorporating a procurement toolkit with good practice guides and advice on compliance with contract procedure rules. Officers will be encouraged to develop SMART systems of evaluation of tenders and suppliers using social value criteria where applicable. A procurement area of the council website will be developed to promote transparency of how the council does business.

Efficiency savings

An e:tendering system will be established to reduce paperwork, and shortening of timescales. Investigation will be undertaken into using e:procurement systems such as on-line catalogues. Analysis of the council's payment profile ensuring 'off contract spend' (ie. what could have been procured by contracts but was not) is visible and extend procurement contracts to cover these areas where prudent. Investigate opportunities to work with purchasing consortiums, and joint purchasing activities with other councils and public bodies.

Opportunities for the local economy

Implementation of a local business portal on our website as a 'gateway' to procurement activity at the council. Development of a 'bidders pack' explaining our procurement process, and what we expect from bidders and successful suppliers. Provision of advice to SME's, voluntary and community sector and social enterprise organisations on how to trade with local government. Advice to officers who procure to consider the value added by small firms, etc. as main suppliers and as members of the supply chain in partnerships. Identify suitable opportunities for SME's and ensure opportunities are targeted or advertised in a transparent way. Facilitate and encourage collaboration between local SME's and social enterprises to compete for larger contracts

Training and support

Develop a structured approach to training staff involved in procurement. Introduce and promote supplier training on how to successfully bid for our work.

5. Reference Documents / Bibliography

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