

## **PROCUREMENT STRATEGY**

<u>Report of the:</u>	Head of Corporate Governance
<u>Contact:</u>	Gillian McTaggart
Urgent Decision?(yes/no)	N/A
If yes, reason urgent decision required:	No
<u>Annexes/Appendices</u> (attached):	<b>Annexe 1:</b> Procurement Strategy – Overview & key success measures <b>Annexe 2:</b> Procurement Strategy
<u>Other available papers</u> (not attached):	Strategy & Resources Committee - Restructuring of the procurement function 26 January 2016 Strategy & Resources Committee - Review of the Contract Standing Orders 21 June 2016

### **REPORT SUMMARY**

**This report seeks approval for the Procurement Strategy 2017-2021**

### **RECOMMENDATION (S)**

**That the Procurement Strategy 2017-2021 as set out in summary in annexe 1 and in detail in annexe 2 to this report be approved**

## **1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 The Procurement Strategy sets out the Council's overall aims and objectives in relation to procurement setting out a clear and transparent strategy.
- 1.2 Procurement is a key function that is embedded across council services. This strategy details the principles that will be adopted for the future procurement and provision of services and will provide a clear framework which will help support the delivery of the Corporate Plan.

## **2 Background**

- 2.1 Procurement is defined as the process of acquiring goods, works and services covering both acquisitions from third parties and from in-house providers.

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- 2.2 The Council spends some £14.5 million each year with outside suppliers. Budgetary pressures mean that it is important to procure efficiently and effectively and achieve best value.
- 2.3 The Council had an independent healthcheck of its procurement function undertaken in 2015 and as a result a report was taken to this committee in January 2016 to obtain approval for restructuring the procurement function. The healthcheck identified a number of areas of weaknesses including procurement strategy, procurement policy and procurement systems. As part of the restructure approval was given to work with the London Borough of Sutton to assist with strategic procurement.
- 2.4 The Public Contracts Regulations were introduced in 2015 and these govern public sector procurement. These new regulations codified other legislation to provide clarity, promote transparency, improve efficiencies in procurement, reduce red tape, reduce timescales, improve choice, and promote greater access to public sector contracts for Small to Medium Sized Enterprises (SMEs). A SME is defined by its staff head count (less than 250) and either turnover or balance sheet total. A diverse group of businesses fall into the SME category, ranging from sole traders to businesses and social enterprises.
- 2.5 Progress has been made in improving our procurement framework including the appointment of a dedicated Contract & Procurement Officer. Also as recommended in the healthcheck the Contract Standing Orders have been updated and now reflect the requirements of Public Contract Regulations 2015. These were approved by this committee in June 2016. The Council has installed the Proactis/Due North e-tendering system and this is being rolled out with support from the Procurement Team at the London Borough of Sutton.
- 2.6 A number of tenders have already been awarded using the system and from the end of October all procurement should go through the system as in line with the Contract Standing Orders.

### **3 Proposals**

- 3.1 The Procurement Strategy was last updated in 2014 but this was limited in coverage, as it did not refer to the Corporate Plan or the Public Contract Regulations 2015. The new strategy demonstrates how the Council can use its spending power to deliver its corporate objectives and ensure that proper procedures are followed and expenditure is governed by suitable contractual arrangements.

The detailed Procurement Strategy was developed with an external procurement consultant looking at procurement across the whole Council, with the aim of developing a procurement model across all services that is compliant, commercial, and cost effective; and provides greater challenge on whether there is a sound business case, why something is needed, and how it is spent.

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- 3.2 Compliant, so that procurement principles are applied consistently and in line with the Public Contracts Regulations, the council's governance structure and regulations and is transparent and open.
- 3.3 Commercial, so that requirements should not be overly prescriptive and where possible expressed as outcomes.
- 3.4 Cost effective, in that price will be an important criterion in the procurement process and therefore to achieve cost effectiveness the Council will be committed to competitive tendering. The use of the e-tendering system will assist this. Framework agreements and collaborating with other public bodies can also be used to reduce the cost of procurement.
- 3.5 Greater internal challenge, as all proposed procurement projects and decisions to spend with third parties should be subject to scrutiny and challenge with rigorous processes in place to determine the required outcome through business cases.
- 3.7 To support the overall Procurement Strategy a number of other policies have been included to guide managers, including a Competition Policy, Collaboration Policy and a policy for promoting contract opportunities for SMEs, voluntary organisations and social enterprises in Epsom and Ewell and in the local area.
- 3.8 This Procurement Strategy is very detailed providing a framework for employees to be aware of our responsibilities, aims and objectives. However the Contract Standing Orders (CSOs) provide practical guidance for them to follow, these set out the thresholds and rules for procuring services and ensure that we are fair, accountable and consistent across the Council as they apply to all officers. Assistance and support is available for procurement from the Contracts & Procurement Officer.
- 3.9 To make the Strategy more accessible a single page overview was developed as shown in Annexe 1. This shows the overall aims of the strategy and the key success measures for 2017/18. The full Procurement Strategy is attached as Annexe 2. The one page overview will be updated annually by the Head of Corporate Governance to refresh the key success measures.
- 3.10 To ensure that there is improvement in managing procurement performance, the Head of Corporate Governance will monitor the spend across the Council on a regular basis, reporting to the Corporate Governance Group. The key success measures for 2017/18 are;
  - Introduction of the e-tendering system throughout the Council
  - Continue to improve the use of purchase orders and provide training and support
  - Improved contract register and establishment of a forward plan

- Current suppliers and contractors to have registered on e-tendering system
- Spend analysis completed (how much we spend and on what)

#### **4 Financial and Manpower Implications**

4.1 There are no direct financial implications however by adopting the new Procurement Strategy; the Council will be able to show best value. Once the new processes are embedded we can look at reviewing financial savings targets.

4.2 ***Chief Finance Officer's comments:*** *An effective Procurement Strategy will assist the Council in delivering the savings required as set out in its Cost Reduction Plan*

#### **5 Legal Implications (including implications for matters relating to equality)**

5.1 There are no direct legal implications arising out of the report. Public procurement is highly regulated and governed by EU legislation and nationally by statute and locally by the constitution and Contract Standing Orders.

5.2 ***Monitoring Officer's comments:*** *An up to date procurement strategy is key in helping officers ensure that they are procuring effectively, and in accordance with the law and good practice.*

#### **6 Sustainability Policy and Community Safety Implications**

6.1 The Procurement Strategy covers environmental requirements. Where appropriate the Council will consider sustainable procurement when tendering and working collaboratively. It will also look at increasing opportunities for SMEs, voluntary organisations and social enterprises.

#### **7 Partnerships**

7.1 The Council are working with the London Borough of Sutton to assist with the roll out of e-tendering and support for large scale procurements. We are also working with the Surrey Procurement Officers Group

#### **8 Risk Assessment**

8.1 If the Council does not endorse the Procurement Strategy there is a risk that they will not be fully compliant with the relevant legislation and fails to achieve best value.

#### **9 Conclusion and Recommendations**

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- 9.1 Having a Procurement Strategy will enable the Council to meet the challenges and opportunities to deliver our services. It will ensure that key changes to legislation are adopted
- 9.2 It will ensure that we can continue to meet the needs of our changing environment and develop opportunities within contracts to support the local economy
- 9.3 As a medium sized organisation the requirements of tendering need to be reasonable and manageable and this strategy will assist in implementing key success measures.

**WARD(S) AFFECTED: (All Wards);**