



**CORPORATE
COMMISSIONING AND
PROCUREMENT
STRATEGY
2009/10**

OCTOBER 2009

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FOREWORD BY THE PORTFOLIO HOLDER FOR CORPORATE RESOURCES – CLLR MAURICE JONES

Central Bedfordshire Council's vision is:

“to improve the quality of life of all in Central Bedfordshire, and enhance the unique character of our communities and our environment”.

In order to deliver this vision the Council has agreed five priorities:

- Supporting and caring for an ageing population;
- Educating, protecting and providing opportunities for children and young people;
- Managing growth effectively;
- Creating safer communities;
- Promoting healthier lifestyles.

The likelihood of the Council achieving its vision through delivery of its main priorities will be greatly increased if it obtains value for money in all its activities and an effective Commissioning and Procurement Strategy is crucial to that objective.

The Commissioning and Procurement Strategy will touch all service areas in respect of external expenditure and is essential to demonstrate that the Council is making the best use of its resources.

Procurement is recognised as a prime source of efficiencies in the public sector. The Operational Efficiency Programme is the latest in a series of HM Treasury led reviews which target efficiencies and again procurement is in the spotlight.

This Commissioning and Procurement Strategy is in line with the many central government reviews and directives and it addresses all of the elements of best practice procurement approaches espoused by the Office of Government Commerce <http://www.ogc.gov.uk/procurement.asp> and the Chartered Institute of Purchasing & Supply <http://www.cips.org/>.

The Commissioning and Procurement Strategy is underpinned by the Council's Code of Procurement Governance and Procurement Procedure Rules which are published widely to staff across the Council and supported by group training sessions delivered by the Council's Procurement Team. A Procurement Toolkit comprising guidance and templates is also available to all staff and this too is supported by the Procurement Team.

In summary, this Commissioning and Procurement Strategy brings together a body of knowledge of best practice procurement and focuses it in a structured practical way on the challenges that our new unitary council will face in its early years.

Cllr Maurice Jones

Portfolio Holder for Corporate Resources

1. INTRODUCTION

The Council's Corporate Commissioning and Procurement Strategy underpins the effective delivery of all of Central Bedfordshire's services. A substantial proportion of the Council's activities are performed through procurement - from local care service contracts with non-profit organisations, to large contracts delivered in partnership with other agencies or with private sector providers.

This Strategy defines how procurement practice will contribute to the achievement of the Council's strategic objectives. Progress towards delivering the Strategy will be kept under continuous review and reported upon annually.

2. PROCUREMENT DEFINED

The National Procurement Strategy defines procurement as follows:

*“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 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.”*

Obtaining best value for money means choosing the bid that offers what the National Procurement Strategy describes as *“the optimum combination of whole life costs and benefits while meeting the customer's requirement”* – which is not necessarily the lowest initial price option.

3. INTERFACE WITH COMMISSIONING

Commissioning is defined by the Cabinet Office in Partnership in Public Services (2006) as “the cycle of assessing the needs of people in an area, designing and then securing appropriate service.” The emphasis is on the importance of identifying the need and then meeting it. Commissioning is a needs-led activity.

However, as can be seen above, at a strategic level, procurement is also concerned with identifying needs and ensuring that they are properly met. The differences mainly are in emphasis and coverage. Commissioning is heavily needs-emphasised and procurement is more commerciality-emphasised. In terms of coverage, commissioning is aimed at public care services such as health, education, social care and housing; whereas procurement is aimed at all categories of expenditure.

The Institute of Public Care (IPC) links the procurement and commissioning cycles into a single model as shown in the following diagram.



Other government departments also produce advice on commissioning and procurement and details can be found on their websites.

4. NATIONAL CONTEXT

NATIONAL PROCUREMENT STRATEGY

In October 2003, the then Office of the Deputy Prime Minister (ODPM) in conjunction with the Local Government Association published the National Procurement Strategy for local government. The strategy was developed in response to Sir Ian Byatt's 2001 report "Delivering Better Services to Citizens" and which created the case for professional procurement in local government.

The National Procurement Strategy has four key themes:

1. Providing leadership and building capacity
2. Partnering and collaboration
3. Doing business electronically
4. Stimulating markets and achieving community benefits

The Final Report of the National Procurement Strategy was produced in April 2008.

It found that there had been considerable progress against all four themes, yet there was still much to be done.

ROOTS REVIEW

More recently the Roots Review: Review of arrangements for efficiencies from smarter procurement in local government was published in February 2009. The report recommends the creation of a National Procurement Champion, greater procurement support for and reliance upon the Regional Improvement and Efficiency Partnerships (RIEPs) and greater collaboration between local authorities and sanctions through Comprehensive Area Assessment for those that consistently act alone and forestall collaboration.

OPERATIONAL EFFICIENCY PROGRAMME

Finally, the Operational Efficiency Programme reported in April 2009. The review took a closer look at achieving greater efficiencies in a number of cross-cutting areas including Collaborative Procurement.

GLOVER REVIEW

In November 2008 the HM Treasury sponsored Glover Review produced its report *Accelerating the SME Economic Engine; through transparent, simple and strategic procurement*. The report recommends ways of improving the accessibility of public contracts to small and medium sized enterprises for example by advertising all such contracts over £20,000 in value on a single electronic portal. The report also recommends that as from 2010 businesses should be able to tender electronically with no paper required and that by 2012 all tenders should be electronic.

5. LOCAL CONTEXT

The Council published its Strategic Plan for 2009 -2011 in September 2008. The Strategic Plan dovetails with the Sustainable Community Strategy Local Area Agreement. It sets out the Council's vision and priorities for the first two years as follows:

VISION

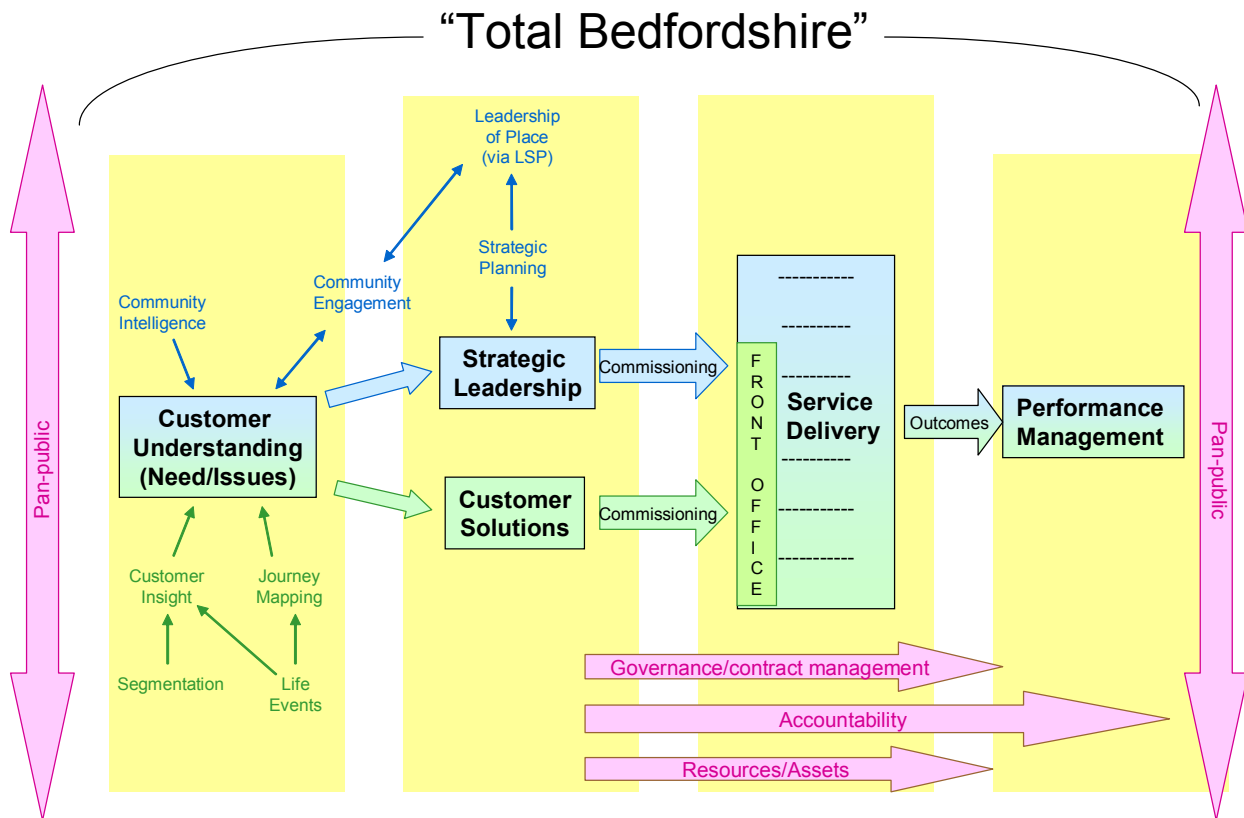
“to improve the quality of life of all in Central Bedfordshire, and enhance the unique character of our communities and environment”

PRIORITIES

- Supporting and caring for an ageing population;
- Educating, protecting and providing opportunities for children and young people;
- Managing growth effectively;
- Creating safer communities;
- Promoting healthier lifestyles.
-

TOTAL BEDFORDSHIRE

The Council is working towards an integrated approach to meeting customer needs as illustrated in the following diagram.



"The Council does what only the Council can do, or what it does best"

Commissioning and Procurement are at the heart of the delivery of *Total Bedfordshire*. At an operational level they deliver solutions to customers' needs. At a strategic level Commissioning and Procurement inform the strategic planning process through experience, analysis and understanding of current arrangements and insight into possible future directions and opportunities for improvement and transformation.

6. THE COMMISSIONING AND PROCUREMENT STRATEGY

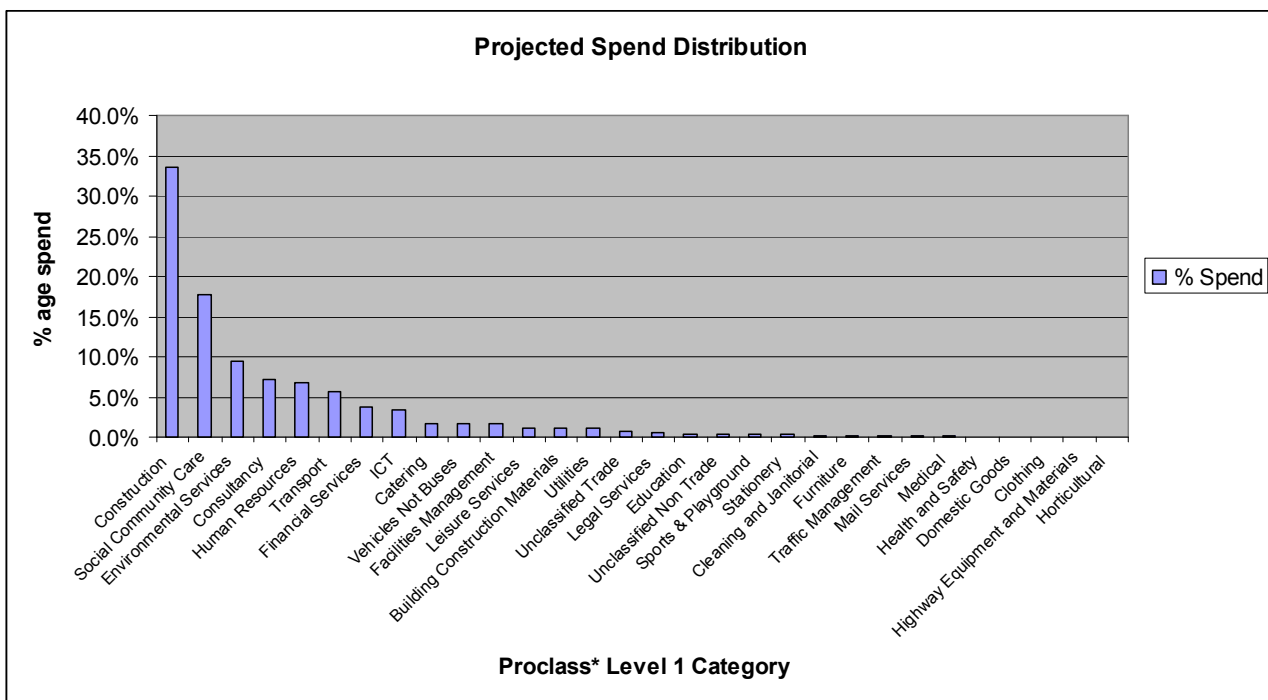
OBJECTIVES

The Commissioning and Procurement Strategy must meet the following objectives:

- following a partnership approach
- contributing significantly to the Council's efficiency agenda (£2.8m of £11.5m annual revenue savings identified in the business case for creating Central Bedfordshire).
- delivering modern efficient sustainable procurement and sourcing processes
- balancing and prioritising scarce professional resource against a diverse range of expenditure
- implementing and maintaining robust but workable procurement policies and rules

SPEND ANALYSIS

Spend analysis of the former Bedfordshire County Council and South and Mid Bedfordshire District Councils shows that 80% of expenditure is across just six categories.



* Proclass is a standard classification system for local authority expenditure

The pattern is very much in line with a similar analysis for all local authorities produced in the Roots Review and is confirmed by an analysis of the Council's contracts which shows a similar distribution.

The conclusion then must be that strategic procurement should be directed at the top six areas of spend to obtain value for money and ensure best use of resources.

A CATEGORY MANAGEMENT APPROACH

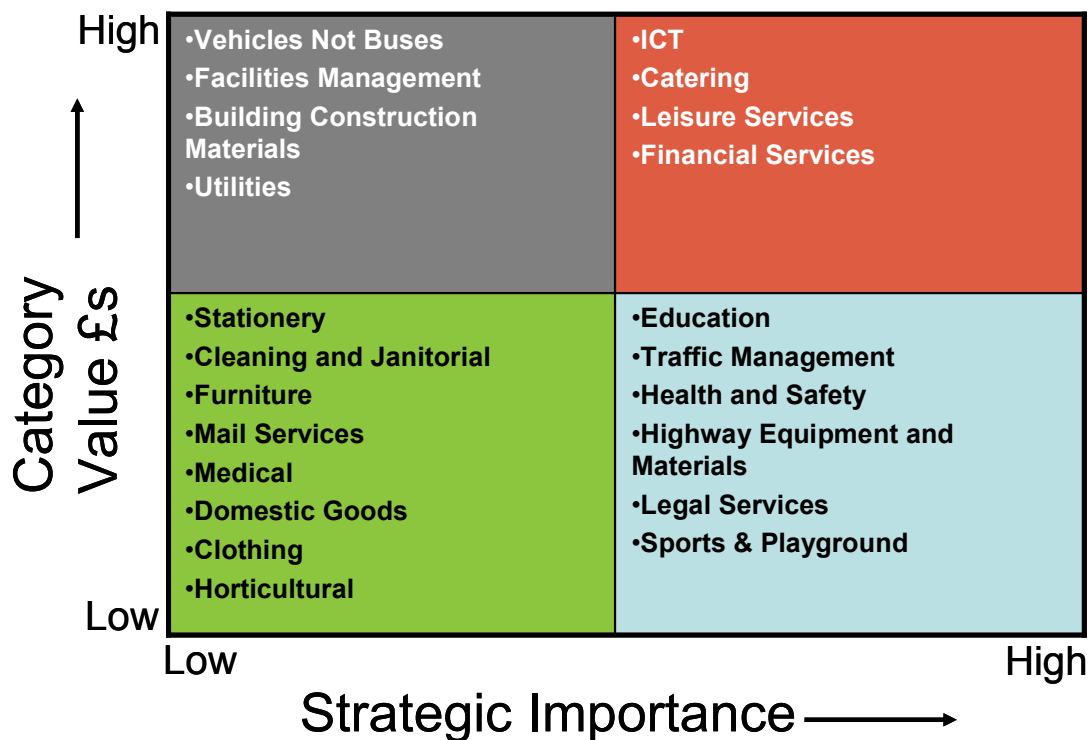
A Category Review Programme is proposed to address the six areas by means of a series of in-depth reviews of each category covering but not limited to: contracts, suppliers, Service Level Agreements, Key Performance Indicators, supplier relationship management, contract governance, market analysis and benchmarking.

The outcome from each review will be a category vision and a blueprint for delivery of that vision. The blueprint would set out the steps to be taken to achieve the vision together with time scales and a benefits realisation plan.

The high spend categories all have different drivers and tensions each review will result in a different vision and blueprint.

In some cases this work is already underway ie Business Transformation, Social Care Health & Housing and Children Families and Learning. However, where that is not the case a standard methodology is proposed based upon the Office of Government Commerce's Virtual Programme Management (Category Management) toolkit.

The remaining categories should be treated according to value/impact as illustrated in the following diagram to obtain value for money and ensure best use of resources.



CONTRACT REVIEWS

Category Management requires a level of procurement maturity which is likely to be beyond that of a fledgling unitary authority such as Central Bedfordshire. Nonetheless, the Council should try to establish the foundations of Category Management so that in future years it reaps the large-scale benefits that it can undoubtedly yield.

During 2009/10 Central Bedfordshire is faced with significant budget challenges. Also, it has inherited contracts from the three legacy authorities. There are 10 contracts over £5m in value with an estimated total value of £116m; 22 contracts over £2m with a total value of £137m and 40 contracts over £1m with a total value of £152m. Inevitably these contracts will be in various states of repair/disrepair.

It is important to establish the state of the Council's major contracts so as to ensure that they are providing optimum levels of service and value for money.

As a new Unitary Authority we have an opportunity to implement exemplary procurement practice through, for example, a programme of contract reviews as a precursor to category reviews. A Contract Review Framework has been developed and agreed for this purpose.

PROCUREMENT INFRASTRUCTURE

The Procurement Team will work across the Council to support the development and application of procurement policy, procedures and processes which are robust yet workable, modern and efficient. A Code of Procurement Governance has been included in the Council's Constitution. The Code is underpinned by detailed Procurement Procedure Rules.

A "No Purchase Order No Pay" policy is proposed whereby all expenditure is approved before it is committed. Retrospective Purchase Orders ie those raised after the commitment has been made should be discouraged and in due course sanctions should be considered for non compliance.

The Council has inherited some modern, efficient processes such as SAP Supplier Relationship Management (SRM) and eSourcing (ESO) but there is more to be done.

Whilst all spend is processed through SRM (or another feeder system such as SWIFT, Atrium or Galaxy). Free text orders are still prevalent and the Council needs to continue the automation by moving more of these orders to "click and buy" from contract punch-outs/catalogues.

Currently schools do not have access to an eProcurement system. The Council will work with the Department for Children Schools & Families to encourage schools to implement OPEN (Online Procurement for Educational Needs) <http://www.dcsf.gov.uk/open>.

The Council needs to do more to automate its payments for instance through e-invoicing. Purchasing Cards and Travel & Subsistence Cards will also be introduced to modernise purchasing of low-value incidental expenditure travel and subsistence.

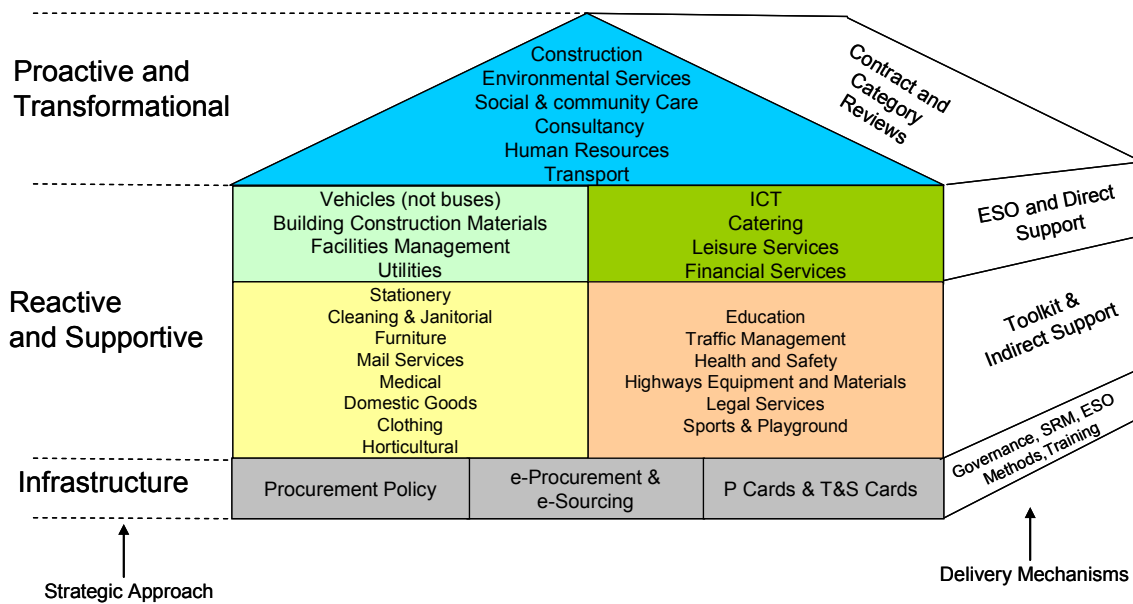
The eSourcing system ESO is currently used only by the Procurement Team and mainly for high-value contracts. However, if the Council is to move wholly to electronic tenders (as recommended by Glover) it needs to review the eSourcing tool solution to make it available across all service areas so that they can move wholly to e-tendering.

A Procurement Toolkit has been developed for service users engaged in contract activity. The Toolkit comprises procurement guidance and templates to enable users undertake lower levels of quotation and tendering activity to achieve best value and comply with the Procurement Procedure Rules.

The Procurement Team offers a Procurement Training Course for all staff involved in Procurement activity. The course covers the Procurement Procedure Rules and the Procurement Toolkit.

THE HOUSE OF PROCUREMENT

The House of Procurement summarises the Commissioning and Procurement Strategy.



PROCUREMENT GOVERNANCE

Procurement governance is pivotal to the success of any commissioning and procurement strategy. A cross-directorate Procurement Steering Group is proposed. The Procurement Steering Group should be chaired by the Director of Corporate Resources with senior level representation from each directorate. The Procurement Steering Group should own the Commissioning and Procurement Strategy and oversee its delivery. However, it should be limited in size and frequency of meetings and consideration will be given to merging the function with another corporate group.

SUPPLIER RELATIONSHIP MANAGEMENT

As far as possible expenditure should be through formal contracts using the Council's own standard terms and conditions.

Every contract will have a named contract manager. High value strategic contracts should have formal contract governance arrangements through a Contract Board comprising the client service's Director of the Council and correspondingly senior representation of the supplier.

The Contract Board is responsible for overseeing the satisfactory delivery of the contract. It should set performance management standards and ensure that Key Performance Indicators (KPIs) are monitored and reported regularly ensuring that deviations are investigated and corrective actions are put in place to correct them.

The Contract Board will prepare and implement a Performance Improvement Programme (PIP) comprising joint council and supplier initiatives with target timescales and benefits and it should manage the PIPs progress.

The Contract Board will ensure that contract risks are managed effectively and that appropriate termination strategies are in place for when the contract runs its course. The procurement team will support the formation and operation of contract boards.

BUSINESS PARTNERING

The Procurement Team will operate an Account Management model with one Procurement Team Account Manager per directorate.

The Procurement Account Manager's role is to understand the diverse teams of their corresponding directorate in terms of its service plans, targets, KPIs, strategic challenges, emerging strategies, legislation and to be proactive in offering appropriate procurement solutions and support.

COLLABORATION

The Roots Review and many other reviews of procurement activity in the public sector find fragmentation of spend is a major inhibitor to the achievement of procurement efficiencies and propose collaboration as the solution.

The Council is already collaborating on several major initiatives through its various directorates, as follows:

(a) Central Bedfordshire and Luton is one of 12 pilot areas in Total Place, a central government initiative sponsored by the Department for Communities and Local Government, to bring together central and local government agencies within a place to:

- create service transformations that can improve the service experience of local residents
- deliver early efficiencies to validate the work
- develop a body of knowledge about how more effective cross-cutting agency working delivers the above.

There are two strands to the initiative:

- a 'Counting' process which maps money flowing through the place from central and local bodies and makes links between services to identify where public money can be spent more effectively
- a 'Culture' process that looks at the way we do things around here and how that helps or hinders what is trying to be achieved.

There are a range of tools and methodologies to support the pilot areas. Each place is to focus on a key theme which is particularly important locally. The Central Bedfordshire & Luton partnership has chosen the theme: "From Dependence to Self-Reliance". The key work packages are:

- Access to benefits
- 18 to 24 long-term unemployment
- Integrated offender management
- Adult social care – living longer in their homes

(b) Our Health, Our Care, Our Say is another central government initiative sponsored by the Department of Health. Among other things it aims for better joining up of services at local levels through:

- streamlining budgets and planning cycles between Primary Care Trusts and local authorities, based on a shared outcome-based performance framework
- aligned performance assessment and inspection regimes
- Local Area Agreements as a key mechanism for joint planning and delivery
- a strengthened role of Director of Social Care, a wider role for Directors of Public Health and more joint Health and Social Care appointments
- stronger local commissioning shifting towards prevention and early support; expanding the evidence base through Partnerships for Older People Projects (PoPPS); a new National reference Group for Health and Well-being refocusing the Quality and Outcomes Framework (QOF) which will provide a sound evidence base for commissioning
- greater patient/user choice

The Director of Social Care, Health & Housing, through the Local Area Agreement, working with partners in the Council, the Primary Care Trust, other statutory and non-statutory agencies, local communities and individuals giving and receiving support, is leading the development of a single community-based support system focused on the health and well-being of the local population.

(c) Children's Trusts are statutory local partnerships whereby the organisations responsible for services for children, young people and families work together in a shared commitment to improve children's lives.

The Children's Trust is led by the Director of Children, Families and Learning and the Portfolio Holder for Children's Services, working closely with other local agencies with a legal duty to be part of the Trust: strategic health authorities, the Primary Care Trust, police, local probation boards, youth offending teams, connexions partnerships and the Learning and Skills Council for England. Other important parties such as schools, colleges, the third sector and Adult Social Care and Housing are also involved.

The Children's Trust will develop the local strategy for improving children's lives by delivering better services, including their health and well-being. They will develop their key priorities by means of a Joint Strategic Needs Assessment and set them out in a Children and Young People's Plan including:

- identifying children and young people at risk
- narrowing the gap on educational attainment between children and young people in care and others
- reducing child poverty

The Children's Trust will listen to the views of children and young people and their families and promote joint working between many agencies to ensure the effective commissioning of services for children.

- (d) Central Bedfordshire Council is the lead authority for the Bedfordshire Energy and Recycling (BEaR) Project. The BEaR Project is collaboration between Central Bedfordshire Council, Bedford Borough Council and Luton Borough Council to deliver waste treatment capacity for Bedfordshire and Luton in order to reduce the amount of waste going to landfill.

A Partnership has been formed between Central Bedfordshire, Bedford Borough and Luton Borough Councils with the aim of achieving the most cost effective and environmentally sustainable solution to treat waste in the future. The partnership has entered into a Joint Working Agreement to share procurement costs and to try to secure Private Finance Initiative (PFI) funding from the Department for Environment Food and Rural Affairs (Defra) for the procurement of a waste treatment solution for Bedfordshire and Luton.

- (e) Central Bedfordshire Council is a member of the Central Buying Consortium which is the largest local authority purchasing consortium in the UK. The consortium lets contracts which are available for use by all of the member authorities and, due to volume aggregation, the contracts achieve favourable terms. Central Bedfordshire Council uses many Central Buying Consortium contracts.

- (f) The Council engages in collaborations with other authorities on an ad hoc basis and uses the contracts and framework agreements of other local authorities and other public bodies where there are clear benefits from doing so.

Central Bedfordshire will continue to do all that it can to collaborate with the RIEP, local partners, other local authorities and public bodies to share best practice and aggregate volumes to obtain better value for its customers.

SMEs AND THE THIRD SECTOR

The Council's eSourcing system (ESO) includes a supplier portal which enables potential suppliers to register their interest in doing business with the Council. The supplier is then able to see tenders as they are loaded onto ESO. Extracts from the portal of lists of suppliers by category will be made available to service areas through the intranet so that they may also be considered for paper-based tenders.

The Council will also continue to work with the Voluntary and Community Sector to help its understanding of the Council's procurement processes and improve accessibility and will continue to support the Bedfordshire & Luton VCS Compact.
<http://www.voluntaryworks.org.uk/Portal/Compact.asp>

FRAMEWORK AGREEMENTS

The Public Contract Regulations can be extremely onerous on service areas that are under pressure to deliver results in tight timeframes. Framework agreements can be a very powerful solution to the problem whenever an "off-the-peg" solution is acceptable.

Framework agreements are agreements under which specific purchases (call-offs) can be made. Usually they are not in themselves contracts but the procurement to establish the framework has followed EU Procurement Rules. Contracts are formed when goods, works or services are "called off" under the agreement. Authorities are free to use them when they provide value for money – if not they can go elsewhere.

Many public sector Professional Buying Organisations such as the Office of Government Commerce (Buying Solutions); Eastern Shires Purchasing Organisation and the Central Buying Consortium as well as other government agencies and local authorities create Framework agreements which are open to the Council.

The Council will promote the use of framework agreements as a means of offering value for money and service solutions in an efficient timely manner. Improvement East has launched a Procurement Hub which brings together details of many of the framework agreements that are available to the Council to use and this will facilitate their wider adoption

<http://www.improvementeast.gov.uk/login/Login.aspx?ReturnUrl=%2fprocurementhub%2fdefault.aspx>

SUSTAINABILITY

The Council is committed to sustainable procurement and will adopt the Flexible Framework as recommended in *Procuring the Future, Sustainable Procurement National Action Plan* produced by the government's Sustainable Procurement Taskforce.

<http://www.defra.gov.uk/sustainable/government/publications/procurement-action-plan/index.htm>

EQUALITY AND DIVERSITY

The Council has a statutory duty to ensure that public money is spent in a way that does not lead to unfair discrimination and social exclusion. Consideration of equality duties and issues must therefore be built into each stage of the procurement process where relevant. The promotion of equality in procurement will help the Council to:

- Improve the quality, responsiveness and appropriateness of our services.
- Ensure that public money is not spent on practices which lead to unfair discrimination to sections of the community
- Create a diverse and integrated workforce
- Deliver more responsive and flexible services in combating social exclusion and building stronger and cohesive communities
- Encourage other organisations to promote and practice the Council's policies on equality.
- Comply with its statutory duties to promote equality of opportunity

ETHICAL PROCUREMENT

The Council will strive to ensure that all staff engaged in procurement activity are aware of and adhere to the Chartered Institute of Purchasing & Supply's Code of Professional Ethics.

DEMAND MANAGEMENT AND COST CONSCIOUSNESS

The Council will strive to ensure that requisitioning and approval processes incorporate demand management as an approach to ensuring that the business needs are being appropriately met and that resource is not being applied unnecessarily.

The Council will also encourage cost consciousness among its staff through a low-cost procurement incentive scheme, with prizes of low-cost promotional items aimed at all staff who are engaging in spending the Council's money.

7. CONCLUSION

This Corporate Commissioning and Procurement Strategy brings together all of the key elements of modern procurement and commissioning into a holistic approach to tackling the challenges of achieving value for money and excellent service for the citizens of Central Bedfordshire. It will serve as a main platform for the delivery of the Council's Strategic Plan.

8. ACTION PLAN

The following action plan with key milestones is proposed.

Action	Completion Date
Communicate the Strategy to Directors, Assistant Directors and Head of Service	January 2010
Set up Commissioning and Procurement Steering Group	December 2009
Commence Contract Review Programme	October 2009
Complete first batch of contract reviews	January 2010
Assess current position on the Flexible Framework for Sustainable Procurement and set target dates to have achieved each level.	December 2009
Commence Category Review Programme	January 2010
Complete first category review	April 2010
Complete first round of training for all contract managers	April 2010