



Colchester Borough Council

**Procurement Strategy
2015-2017**

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3.0	30.01.15	Updated following PFH circulation comments.
3.1	13.06.16	Update following audit recommendation

Introduction

Why do we have this strategy?

Colchester Borough Council's (CBC) capital and revenue expenditure on goods and services totals £40m. This is a significant sum of money that gives the Council a significant economic influence in the area. It therefore needs to be spent in a way that is properly controlled and governed to ensure good value for money and to promote the Council's vision. The Council's Strategic Plan 2015-18 "Rich heritage, Ambitious Future" is due for approval in February 2015 and contains four key words that sum up what the Council wants to achieve " **Vibrant, Prosperous, Thriving, Welcoming**".

How does this strategy support delivery of the Strategic Plan?

Vibrant - "Enhance the diverse retail and leisure mix supporting independent businesses valued by residents and visitors".

Prosperous - "Support people to develop the skills needed by employers in the future to take advantage of higher paid jobs being created"

Thriving - "Be clear about major opportunities to work in partnership with public, private and voluntary sectors to achieve more for Colchester than we could on our own"

Welcoming - "Create a business friendly environment, encouraging business start-ups, support to small and medium sized enterprises and offer development in the right locations".

The Procurement Strategy reflects the:

- introduction of the Social Value Act which will allow the Council to incorporate social criteria into procurement decisions e.g. the Council is committed to paying a Living Wage and has a preference for suppliers who also commit to a Living Wage. The Council will also use the Act to encourage the creation of jobs for apprentices.
- Federation of Small Businesses (FSB) Procurement Charter.
- more strategic category management approach designed to lead innovation of supply chains prior to procuring from the market.
- National Procurement Strategy which promotes collaboration and working in partnership with public, private and voluntary sectors.

This strategy has been aligned with the Environmental Sustainability Strategy, adopted by Colchester Borough Council in February 2015. One of the key priorities within the Environmental Sustainability Strategy is to show 'Community Leadership' by promoting productive use of resources and materials. This involves integrating environmental considerations into all stages of the purchasing process from avoiding unnecessary purchases and identifying greener products, to the specifications we use for contracts.

What else has influenced the strategy?

A number of external influences have been taken into account in the preparation of this strategy, including:

- Revised European Union (EU) Procurement Regulations
- The Transparency Code
- The Low Emissions Strategy

Appendix A: Procurement Strategy

A number of internal drivers have been taken into account in the preparation of the strategy, including the Council's core goals to:

- Help our customers access our services and deliver our communities needs;
- Become commercially focused and even more business-like in order to be free of government grant by 2017
- Inspire staff who do the right things and are proud to work for the Council.

Who is responsible for what?

The Chief Executive

The Chief Executive has overall accountability for assigning the allocation of responsibilities that comprise the system of control for the Council.

The Head of Commercial Services

The Chief Executive has delegated responsibilities for the creation and maintenance of this strategy to the Head of Commercial Services as the policy manager.

They are responsible for ensuring:

- The strategy is in place, reviewed and updated on a regular basis;
- The strategy is communicated to Heads of Service for implementation;
- Strategic advice and guidance is available to support services to develop category and supplier relationship management strategies designed to innovate and take cost out of supply chains.

The Head of Corporate Financial Management

The Chief Executive has delegated responsibilities for the supporting procurement processes to the Head of Corporate Financial Management:

- The Governance Team will hold copies of all contracts.
- In the first year the following responsibilities will be managed by the Commercial Procurement Manager reporting to the Head of Commercial Services, subsequently responsibility will revert to the Head of Corporate Financial Management:
 - Procurement Business Partner offers advice and guidance to Services on tenders and management of tenders through the Essex Procurement Hub.
 - Procurement Business Partner will maintain an up to date contract register.
 - The implementation of the strategy to the extent that it mandates compliance with processes and procedures, including monitoring across services and that an effective reporting system is in place to report breaches or weaknesses.
 - The provision of an annual report on the effectiveness of the strategy, the performance during the year and any recommendations for improvement.

The Head of Professional Services

The Chief Executive has delegated responsibilities for the supporting procurement processes to Head of Corporate Financial Management:

- The Professional Support Unit has been delegated responsibility to manage purchase orders, reconcile invoices, and make payment to the supplier once the goods and services have been received.

Heads of Service

Heads of Service are responsible for ensuring that the compliance requirements of the strategy are effectively communicated to their services, that the strategy is followed within their services and that they participate fully in the development and execution of the strategy.

Heads of Service are also responsible for ensuring that the provisions of the [Constitution](#) regarding [Contract Procedure Rules](#) and [Financial Procedure Rules](#) are effectively implemented and monitored within their services.

What is the Strategy?

There are three themes to the strategy:

1. To adopt a more **strategic Category Management approach** to procuring goods and services by supporting services during design of service change and contract renewal.
2. To **streamline and automate the tender process** to make it easier for all suppliers to compete for contracts and cheaper for the Council to procure goods and services.
3. To **Strengthen Supplier Management** methods with strategic suppliers and strengthen contract management once contracts are in place.

Strategic Category Management Approach

Service change and contract renewal will be supported by Commercial Services to develop innovative, commercial approaches to establishing and managing supply chains. There will be a Category Management approach to spend:

- Services will drive the strategy by: identifying commercial approaches to their business requirements; leading on collaboration; making recommendations on whether to provide services in-house or buy services from the markets; and recommendations on the use of Alternative Delivery Vehicles.
- Before undertaking competitive tenders, market analysis supported by early supplier involvement will be undertaken to inform category strategies.
- Detailed spend analysis will be undertaken and appropriate strategies adopted depending on the value of spend and the market risk of supply:
 - High value, high risk spend will be reviewed to improve customer service and take costs out by innovation, collaboration and developing strategic suppliers;
 - High value, low risk spend will be driven by competitive use of the markets;
 - Low value, high risk spend will have a focus on ensuring supply and minimising supply chain vulnerability;
 - Low value, low risk spend will be procured as efficiently and economically as possible minimising transaction costs. Use of frameworks, catalogues and purchasing cards will be developed;

Streamline and Automate the Tender Process

In line with EU Regulations and the FSB Procurement Charter, the Council will move towards using e-tendering and simplify the pre-qualification process. Social Value will be considered prior to tender and the evaluation criteria will include means to support the economic, social and environmental goals of the Council e.g. the Council is committed to paying a Living Wage and has a preference for suppliers who also commit to a Living Wage.

Strengthen Supplier Management

Once contracts are in place, Contract Management will be supported by Supplier Relationship Management approaches with the top three or four Strategic Suppliers.

- A partnership relationship will be developed based on mutually agreed goals and objectives.
- Cost-out projects will be identified and implemented, designed to improve service quality at the same time as removing waste and cost from the supply chain.

How will it be delivered?

Partnership and Collaboration

One of the key themes of the National Procurement Strategy is partnership and collaboration and the Council will continue to work with the Procurement Agency for Essex (PAE) and other partnerships to identify and review opportunities for buyer collaboration.

The Council will continue to support the Essex Procurement Hub. The Hub provides the Council with access to a procurement team that provides hands-on procurement advice and support. It also undertakes collaborative procurement for goods and services across all member authorities. The Council will promote efficiency in its own processes, retain access to specific procurement expertise and by joining its buying power with partner councils across Essex, improve its impact in promoting change.

Regulatory Framework

Procurement has to work within a number of controls including legislative and governance issues. In addition the Council has other policies which must be adhered to as part of any procurement activity.

The key control over procurement activities is the Council's [Contract Procedure Rules](#) as set out in the Constitution. These rules are set at levels to ensure value for money can be achieved and that decision-taking can be made at practical levels.

Our strategy is to ensure that our procedure rules remain relevant and ensure compliance with EU regulations.

Value for Money

An increased focus on Category Management and Supplier Relationship Management will ensure continued delivery of value for money.

Local Trade

Colchester Borough Council will sign up to the Federation of Small Businesses Procurement Charter.

Equality and Diversity

In support of its public duty to promote equality of opportunity, Colchester Borough Council aims to achieve a robust and consistent approach to equality in the delivery of services and will work with partners and suppliers to ensure that suppliers are, as a minimum, compliant with the relevant legislation, both at the inception of contracts and through their effective life. The council will engage proactively with key suppliers to promote equality and positive practices in their operations and their provision of services to customers on behalf of the Council.

Sustainability

In support of both its strategic objective to “be cleaner and greener” and the priority area for action to “reduce, re-use and re-cycle”, the Council will use its procurement strategy to promote

long-term sustainability in its own operations, reduce its own carbon footprint through its own services and its supply chain, consistent with meeting value for money criteria.

Organisational/Cultural Challenges

There is a need to build procurement involvement into the earliest stages of service change and contract renewal. Culture change is required to become more customer focused and commercial.

Poor customer service or delivery will be identified and causes removed by monitoring supplier performance to:

- reject and correct poor quality supplier deliverables (Contract Management); and if necessary;
- making changes to the specification or processes of services delivery (Supplier Relationship Management); and if appropriate;
- re-designing the contract and service model (Category Management).

The changes required to achieve this are:

- Adopt a strategic Category Management approach
- Streamline and automate tendering
- Improve Supplier Relationship Management and Contract Management

What are the procedural rules governing procurement?

The [Constitution](#) provides guidance on the commissioning of goods and services and is managed through the [Contract Procedure Rules](#) and [Financial Procedure Rules](#). Officers are required to adhere to these rules when purchasing on behalf of the Council.

Broadly the guidelines can be summarised as follows:

1. A Buyer identifies the need to purchase goods/services
2. Before any tender is conducted or order placed, a budget needs to be approved, following the [Financial Procedure Rules](#)
3. Once a budget has been determined, current contracts and frameworks in place should be reviewed to determine whether a supplier is already available
4. If yes, then the [Purchase Order Process](#) is followed.
5. If no contract or framework is available then the buyer will need to follow the [Contract Procedure Rules](#), gaining at least three quotes (spend less than £50,000), conducting a full tender process (spend £50,000 or more) or conducting a full EU tender process (spend on Goods or Services >£172,514 or Works >£4,322,012).
6. If the spend is of a capital nature, then a project business plan will need to be completed.
7. All spend should be assessed on total cost over the lifetime of the contract. Finance Business Partners will provide support with completing this assessment.
8. Once a contract or framework is in place, buyers should follow the [Purchase Order Process](#) to secure the order and record the financial transactions correctly.
9. Contracts should be effectively managed on an ongoing basis to ensure that continuity of supply/service occurs.

Glossary of Terms

Category Management - a technique used to understand markets, analyse spending, and make purchasing decisions that save money. It incorporates the entire process from: supporting the design of new services, fundamental services redesign and designing new contracts; through competitive tendering; to supplier management and the **Purchase to Pay process**.

Contract Management – the management of an agreement to ensure the objectives of a contract are delivered in accordance with the agreed terms, timescales and price with the agreed quality measures. Managing and expediting day to day delivery including handling and removing disturbances and problems. Administration of the contract including negotiation and documentation of variations.

Purchase to Pay Process – once contracts have been agreed: the process of issuing purchase orders, matching invoices to orders, and making payment once goods or services have been received.

Supplier Relationship Management – the management of the top strategic suppliers to an organisation designed to align strategic goals, manage continuous improvement and support the Contract Management of all agreements between supplier and customer.