

Newport City Council

Procurement Strategy

Introduction

The Strategy outlines the role of procurement in fulfilling the City Council's strategic aims and objectives and its role in the provision of quality services.

This Procurement Strategy provides a clear framework for procurement throughout the Authority, reflecting the Council's corporate plan and developing best value principles, which are in keeping with contract standing orders. It also provides an action plan for achieving the corporate approach to procurement.

The Strategy covers all aspects of procurement within the authority. It is the means by which the Authority realises improved value for money from its transactions and delivers continuous improvement.

Effective procurement has a critical role to play in delivering the strategic objectives for the organisation, and improving the quality and value for money of the services delivered to the public.

Procurement is a key element in the Governments plans for improving services, the main driver being the Welsh Programme for Improvement which imposes a duty on all local authorities "to continuously improve the service they provide having regard to a combination of economy, efficiency and effectiveness". There is also an obligation on the Council to consult closely with service users and other parties with an interest in Council services.

Better Value Wales, A Review of Procurement in the Wales Public Sector, identified a series of improvement opportunities for the Welsh Public Sector, and suggested an achievable target for value for money savings was 3% of external expenditure, and recommended that the Public Sector set at minimum a 3% efficiency target.

To improve procurement performance it is recognised that a common approach to procurement across the Authority is necessary in order to secure benefits from economy and efficiency of operation and leverage opportunities which can come from the aggregation of requirements. It also recognises the benefits from working in wider purchasing consortia and the potential which some of the newer forms of partnering arrangements can bring.

Newport City Council also recognises that in many instances, the cost of the procurement process itself just as much an issue as the price paid following procurement, and will develop systems to ensure efficiency within the procurement process.

General Principles

Procurement is defined as the whole process of acquisition from determination of need, and service delivery method, through to the contract management and ultimate disposal. Within this process option appraisal is fundamental in determining the most appropriate procurement model to follow, whilst for major or more complex procurements, project and risk management are essential to ensure successful outcomes.

The Council recognises that lowest price does not always represent best value for money, and will develop a tender evaluation matrix which will require consideration of other factors including quality, social, equalities, environmental impact, and whole life cost, when assessing the most beneficial tender.

It is essential that procurement within the public sector is conducted using the principles of transparency, probity and accountability. To ensure these criteria are met a code of ethics, in accordance with the Chartered Institute of Purchasing and Supply guidance will be introduced to guarantee the ethical standard of the Councils procurement activity.

Accountability

The development, oversight, implementation and review of the Procurement Strategy is a function of the Corporate Procurement Steering Group, reporting to the Cabinet Member for Resources, implementation is a responsibility line in the Finance and Scrutiny Service Area. The Procurement Steering Group will conduct a regular review of the strategy's effectiveness in improving procurement and meeting efficiency and economy targets.

The Head of Finance & Scrutiny is responsible for ensuring procurement strategies, procedures and responsibilities are clearly set out and understood by all.

In procuring goods and services, Heads of Service are responsible and accountable for ensuring that all policies and procedures relating to procurement are understood and followed within their Service Area.

The Strategy requires that all of the Council's services demonstrate:

- Commitment to users of the services
- Value for money
- Compliance with UK and EC legislation
- Compliance with Corporate procurement guidelines, Standing Orders and Financial Regulations
- Compliance with corporate and service aims & policy objectives
- Commitment to continuous improvement
- Commitment to quality and equality
- Operational efficiency

- An annual review by Services Areas of procurement requirements and practices
- Effective management systems and procedures
- Flexible working arrangements to meet user requirements
- Awareness of social and environmental issues

Partnering and Other Approaches

The Council is committed to exploring new and innovative ways of providing services, and will examine the benefits of alternative methods of procurement such as partnering, collaboration with other public and not for profit organisations and the Rethinking Construction initiative. These approaches should be explored as part of the appraisal of options and used where they are found to be more effective than the traditional methods of procurement.

The Council remains committed to in-house service delivery, where there is no over-riding business reason to choose an alternative method. Service Areas will however be required to conduct regular service reviews to confirm that the in-house provision remains the most cost effective method of service delivery. As part of the options appraisal process the service review will require the area to consider the alternative methods of service delivery including new procurement methods, such as those highlighted above, during the evaluation of the in-house provision and clearly show that in-house provision continues to offer the best method of service delivery.

Corporate Objectives

Procurement plays a key role in supporting the delivery of corporate objectives and it is essential that procurement activity reflects these objectives and is supportive of them within its own procedures and policies.

Economic development and Equality are key corporate objectives and the Council will ensure that the procurement methods adopted embrace these policies and initiatives, and will actively seek to influence suppliers' processes within these areas to maximise benefits for all parties.

The Council will ensure that the commitments made in the Welsh Language Scheme, Race Equality Scheme and Corporate Equality Plan are promoted and that guidelines issued by the Commission for Race Equality and the Welsh Assembly Government in relation to equality are incorporated into all procurement arrangements.

Sustainable Development is a duty under Section 121 of the Government of Wales Act 1998, which requires the public sector to promote sustainable development into the exercise of its functions. The National Assembly for Wales' Sustainable Development Scheme provides an over-arching framework and seeks to align procurement policies, as far as legal requirements allow, with sustainable development objectives. The Council will promote sustainability as a critical element of its procurement activity.

The procurement activity of the Council will seek to stimulate the local SME market involvement in the supply chain for services, whilst minimising the adverse environmental impacts and promoting equal opportunities. Whenever possible, where they do not conflict with other legislative duties, the Council will maximise the local benefit of procurement opportunities.

The Council's Procurement Strategy is not a stand alone document but is intended to work in tandem with other corporate strategies, plans and procedures in delivering the Council's overall aims and objectives. (see Appendix A)

Structure and Organisation of Procurement

Devolved Decisions within Strong Parameters

The organisation of the procurement structure will be matched to business need and organisational culture.

Newport is committed to a devolved approach to decision making. Therefore responsibility for procurement decisions will firmly rest with Heads of Service operating within clearly defined and monitored corporate parameters. These parameters will include the requirement to enter corporate wide contractual arrangements where these will provide financial benefits. However, within the defined parameters Service Areas will be able to manage their own procurement needs. The Services Areas are acknowledged as the best placed to know their customer and their specialist supplier base

To ensure the benefits of strategic and corporate procurement are realised, this form of procurement will be supported by strong control mechanisms and policy parameters. The Strategic Procurement Officer, as the centre of expertise in external resource management will monitor activity and assist the development of procurement activity within the Service Areas by providing corporate advice and guidance.

Prioritising Activity

The Council's strategy for improving its strategic procurement is to focus on those areas of expenditure which are critical to the business or offer significant prospects for improvement. This is a risk management based approach which will focus the energy of the organisation on areas identified as high risk or which offer significant opportunities for improvement, using the matrix shown below.

competitive market position, efforts should be made to reduce prices via competitive tendering and collaborative arrangements.

This philosophy may require a change of attitude in relation to the management of procurement activity, but it is recognised as a successful method for delivering improvement.

Efficiency, Incentives and target Savings

Efficiency savings are the main target for the approach detailed above, however investment is generally required to realise savings and if Service areas are not permitted to retain some of the benefits for reinvestment, there is a positive disincentive to achievement.

The incentivisation to Service areas under the Strategy will be a 50/50 share of net savings, which will provide for reinvestment in the Service Area, but also allow for redistribution of resources throughout the Authority.

The Strategy sets a target of £200,000 net saving in the first year of the Improvement Plan, rising to £500,000 for year 3. In total, savings of £1 million are targeted for the life of the Improvement Plan, with half this money being retained by Service areas for reinvestment and the remainder being available to the Authority for redistribution.

Improvement Plan and Development Plan

The Corporate Procurement Steering Group will produce a three year Procurement Improvement Plan, which will detail the Councils objectives for procurement. The key objectives will be:

Key Objectives

Key Objective 1 - To Deliver Cost Efficient Procurement

Task 1.1 – To conduct a review of procurement activity

- a) Review the scale and importance of procurement activity in terms of amount of expenditure with suppliers, nature of purchase and associated business risk and market risk.
- b) Undertake risk assessment and expenditure positioning to establish how procurement activity should be managed, related to the risk and spend model shown earlier.

Task 1.2 – To reduce transaction costs

- a) The implementation of an e-procurement ordering system. Oracle offers considerable efficiency savings by efficiently managing low value, high volume items whilst maintaining the necessary management controls.
- b) The use of methods such as procurement cards are a key element in achieving the e-procurement efficiencies. The use of the Welsh Purchasing Card will be investigated.

Task 1.3 – To deliver significant reductions in purchased cost

- a) Analysis of departmental spend with non contract vendors, particularly where contract vendors are available (example stationery and central supplies) to ensure departments are utilising existing arrangements and obtaining best value.
- b) Identify new opportunities for corporate arrangements which will provide cost savings to the Council and Service Areas. Early wins in this area have been identified for advertising and agency staff expenditure
- c) To work with other public bodies including WLGA-PSU and WPC to achieve savings from collaborative arrangements and the development of best practice.

Key Objective 2 – To develop sound Policies and Procedures

Task 2.1- Develop Procurement Policies

- a) Provide policy documents which clarify procurements role in achieving the corporate objectives of the Authority and promote an awareness of social, economic and environmental issues.
- b) Develop a tender evaluation matrix to ensure consideration of factors other than cost, such as quality, whole life cost when assessing tenders.

Task 2.2 – Develop a corporate information system

- a) To provide accurate management information, linked to the accounting system to provide up to date financial information

Task 2.3 – Develop robust regulatory arrangements

- a) To review Contract Standing Order/Schemes of Delegation and Financial Regulations and amend as policy develops to ensure new methods of working are appropriately regulated
- b) Identify the key performance indicators for procurement to ensure effective measurement of strategic and operational procurement performance

Key Objective 3 Enhance the Skills base

Task 3.1 Develop appropriate Member and Officer Training

- a) To provide a training needs assessment and establish a standardised training provision to raise awareness of procurement amongst Members and Officers.
- b) To ensure adequate training for all employees engaged in procurement
- c) Provide on-going guidance and support for officer's involved with procurement.

Task 3.2 – Develop and Manage the Supply Chain

- a) To develop Supplier Management techniques including procurement standards for suppliers to ensure the Authority deals with organisations, which support the Authority's Corporate objectives of promoting quality employment, equality of opportunity and sustainability.
- b) Develop local SME involvement in supply chain activities and provide "Sell to Newport" guidance to promote Newport City Council as a preferred customer.

Implementation

The key requirements in implementing the plan will be

The identification of any resource implications

The timetable for delivery

The roles and responsibility for delivery

The establishment of monitoring procedures

The development of skills and working practices amongst employees and Members

The development of the processes and documentation that underpin the Strategy

The establishment of performance measures

The implementation of the Action Plan will at minimum require the establishment of some dedicated resource which will undertake the co-ordination of procurement arrangements and ensure delivery of the key objectives.

Summary

Newport City Council recognises that procurement is a key strategic tool, which when actively managed can deliver tangible benefits to the economy at both a local and national level.

The Strategy detailed above describes how Newport City Council will manage the procurement function to improve service delivery and provide better services for its stakeholders whilst ensuring best value is achieved. Excellent procurement does not in itself provide excellent services, but excellent services cannot be provided without excellent procurement.

The Strategy confirms Newport's commitment to meeting the objectives of the Wales Programme for Improvement and delivers the requirements of the National Procurement Strategy. The Council recognises that a long-term strategic approach to procurement, firmly imbedded into the culture of the organisation is essential for the delivery of tangible benefits for our environment, economy and community.

The Strategy has been subject to the normal consultation process with stakeholders including Directors, Heads of Service and Employee Joint Liaison Group. In addition it has been consulted externally with suppliers, voluntary organisations and other procurement specialists. The comments received from all sectors supported the introduction of a Procurement Strategy by Newport City Council and where comments were considered relevant, the Strategy has been amended to incorporate the suggestions and thus strengthen the document.

Cabinet
10 February 2004

Appendix A

List of Strategies, Policies and Procedures

- [Corporate Plan](#)
- Improvement Plan
- Economic Development Strategy
- Waste Management Scheme
- Welsh Language Scheme
- [Community Development Plan](#)
- [Equal Opportunities](#)
- Race Equality Scheme
- Corporate Equality Plan
- Health & Safety
- Job Security Policy
- Scheme of Delegation to Cabinet Members
- [Scheme of Delegation to Officers](#)
- Tender Procedure
- [Sustainable Development \(Agenda 21\)](#)