

South Derbyshire District Council

Procurement Strategy

2006 to 2009

IT and Customer Services Division
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- 1 INTRODUCTION AND BACKGROUND**
 - 1.1 Background
 - 1.2 Purpose of the Strategy
 - 1.3 Objectives
 - 1.4 Benefits
 - 1.5 Definitions
 - 1.6 Leadership and Responsibility

- 2 ROUTINE PROCUREMENT**
 - 2.1 General Principles
 - 2.2 Data Collection
 - 2.3 Purchasing Guidance and Best Practice
 - 2.4 Consortia and Joint Negotiations
 - 2.5 E-Procurement, Catalogues and IDeA (Derbyshire) Marketplace Initiative
 - 2.6 Payment/Purchasing Cards

- 3 HIGH VALUE/STRATEGIC PROCUREMENT**
 - 3.1 General Principles
 - 3.2 Legal Framework
 - 3.3 Tender Evaluation
 - 3.4 Design and Construction Contracts
 - 3.5 Partnership Working
 - 3.6 Project/Contract Management
 - 3.7 Best Value Procurement Guidance
 - 3.8 Performance Improvement
 - 3.9 Strategic procurement Forward Plan

- 4 RISK ASSESSMENT**
 - 4.1 Applying Risk Assessment Principles
 - 4.2 Health and Safety
 - 4.3 Additional Controls

- 5 EMPLOYMENT MATTERS**
 - 5.1 Employee Consultation
 - 5.2 Transfer of Employees
 - 5.3 Training and Development

- 6 SUSTAINABILITY AND LOCAL REGENERATION**
 - 6.1 Sustainability
 - 6.2 Regeneration
 - 6.3 Green Procurement

- 7 EQUALITIES**

- 8 CONSULTATION**

- 9 FINANCIAL ISSUES**
 - 9.1 Contract procedure Rules
 - 9.2 Value for Money

- 10 PERFORMANCE MANAGEMENT AND REVIEW**
 - 10.1 Performance Management

1. INTRODUCTION AND BACKGROUND

1.1 Background

- 1.1.1 The DETR Circular 10/99 on Best Value specifically proposes that each local authority should have a procurement strategy. This was followed by a review of local government procurement carried out by a DTLR/LGA taskforce (chaired by Sir Ian Byatt) in June 2001 to consider recommendations and principles that would both assist in strategy development and also raise standards overall.
- 1.1.2 The report notes that "good procurement can raise the quality of services for citizens, by buying goods, works and services that better meet their needs". This strategy seeks to address issues raised in the Byatt report and reflect good practice established in other local authorities.
- 1.1.3 The Government issued a National Procurement Strategy in October 2003 with a series of key milestones to be achieved over a 3-year period (see Appendix A). This procurement strategy will set an action plan for ensuring that South Derbyshire District Council meets all the relevant milestones. (See Appendix B.)
- 1.1.4 Nine Centre of Excellence have been established to help develop expertise, capacity and networking on procurement and the efficiency agenda. South Derbyshire District Council is aligned to the centre for the East Midlands based in Nottingham – www.emce.gov.uk
- 1.1.5 It is vital that the Authority focuses on procurement as a major opportunity to alleviate budget pressures. The National e-procurement project has outlined the potential cost savings that could be made as a result of modernising procurement processes. The project highlighted the need for Councils to examine the effectiveness of procurement processes, managing the supply chain, using technology and collaborating to realise the benefits of effective procurement.
- 1.1.6 Procurement at South Derbyshire has been given a high profile with the introduction of a Corporate Procurement Manager. Procurement will continue to be devolved to service areas but with central control.
- 1.1.7 There are high expectations for procurement to deliver significant savings. The HM treasury spending review sets an expectation for procurement to deliver savings in cost efficiencies and cost reductions in goods and services procured. A key priority of the Efficiency Review is to explore opportunities for strategic procurement savings.

1.2 Purpose of the Strategy

- 1.2.1 This document aims to provide a framework for the full range of procurement activity carried out across the Council and ensure that procurement planning reflects the Council's corporate standards and objectives.
- 1.2.2 This will provide an opportunity not only to co-ordinate current processes but also provide a clear pathway for identifying and acting on improvements to ensure that best value is being obtained consistently when goods and

services are procured. It sets out areas for strategic consideration and development. In October 2005 Finance and Management Committee approved the formation of the Procurement Working Group to review and co-ordinate the Council's approach to procurement.

1.2.3 This strategy is not a Procurement Manual. A Procurement Manual is currently in preparation and will be reviewed with the introduction of e-procurement and the IDeA Marketplace.

1.2.4 Procurement activity is subject to scrutiny from both internal and external audit. It is also assessed by CPA and 'Use of Resources' inspections and reports.

1.3 Objectives

1.3.1 The objectives of this Strategy are as follows:

- to continue to evaluate and improve current procurement practices to achieve better value for money and ensure customer/client needs are met
- to ensure procurement best practice is highlighted and used consistently throughout the Council
- to align procurement activities with other strategies adopted by the Council and to ensure that corporate objectives are addressed
- to ensure that current and future procurement activities are planned, monitored and reviewed effectively
- to identify opportunities for working with others, both in the public and private sectors, in order to widen the scope for maximising purchasing power and identifying innovation.

1.4 Benefits

1.4.1 In taking this strategy forward, the Council can expect to realise the following benefits:-

- Improved value for money
- More efficient procurement
- Improvements in procurement outcomes
- Effective partnerships to be developed with suppliers/service providers
- Improved risk management
- Improved project planning
- Integration with Council's overall objectives and business plans

1.5 Definitions

1.5.1 The Byatt report defines procurement as "*encompassing the whole process of acquisition of goods, services and works from the initial assessment of a business need through to the end of the useful life of an asset or end of the*

service contract". This strategy further defines procurement in two categories:-

- A. **Routine Procurement** – this sets out the processes supporting routine/low cost purchasing and procurement and ways of developing/improving the effectiveness of these activities.
- B. **High Value/Strategic Procurement** – This is where procurement is planned for specific projects and needs to take account of specific issues e.g. tendering requirements and legislation, contract management and monitoring.

1.5.2 Although some aspects of good practice will be common to both types of activity, the support required and the processes adopted will differ and this has been taken account of in developing this Procurement Strategy.

1.6 Leadership and Responsibility

1.6.1 Currently members of staff in all the Council's services carry out procurement. A Corporate Procurement Manager has now been appointed and this Officer will be working on improvements in corporate procurement and developing good practice documents and a Procurement Manual.

Implementation of this strategy requires clear functional responsibility to be assigned and both a Member and Officer have been designated as 'Procurement Champions'.

1.7 People Strategy

1.7.1 All actions arising from this Procurement Strategy will be developed alongside the principles of the Council's People Strategy.

2 ROUTINE PROCUREMENT

2.1 General Principles

2.1.1 Procurement of low value items by individual managers accounts for a significant proportion of the Council's expenditure when aggregated across the whole range of Council services. Whilst flexibility needs to be maintained to ensure that managers can respond to their own requirements, there needs to be sufficient co-ordination to allow good practices to be shared, benefits to be accrued from economies of scale, and targets and improvement to be identified and achieved.

2.1.2 The focus for procurement needs to be on outcomes i.e. meeting the Council's objectives, ensuring customer needs are satisfied, and achieving value for money. It will underpin the authorities desire to focus on the Council's Key Aims whilst continuing to concentrate upon contributing to all priorities to achieve excellence. Additionally work will develop to establish how Procurement can assist the Council and its partners in delivering the objectives of its Corporate Plan.

2.2 Data Collection

- 2.2.1 To effectively monitor purchasing spend, analysis needs to be carried out annually, of goods and services considering data such as:
- Volume
 - Frequency
 - Annual expenditure
 - Types of spend
 - Supply method
 - The market (supplier base)
 - Partnership developments
- 2.2.2 The analysis of this information will identify opportunities to set targets for improvement, aggregate expenditure to achieve economies of scale and provide information on suppliers that can be shared across the organisation.
- 2.2.3 This information should be centrally collated and reported to senior management and members as part of the programme to achieve efficiencies.
- 2.2.4 The East Midlands Centre of Excellence is providing this analysis for all Councils within the region during 2006.

Key Action: To work with the East Midlands Centre of Excellence and the appointed service provider to analyse the purchasing spend and identify opportunities for aggregating expenditure and identifying savings.

2.3 Purchasing Guidance and Best Practice

- 2.3.1 The Council's purchasing guidelines are currently contained within the Financial Regulations and Contract Rules. A detailed Procurement Manual is being developed and this will then form the basis of simple guides to best practice. These guides will be for all Council employees involved in procurement and/or providing services, and will need to incorporate financial and contract procedure rules and the purchasing code of practice.

Key Action: To write and publish a Corporate Procurement Manual.

2.4 Consortia and Joint Negotiations

- 2.4.1 The opportunities identified within this strategy become more powerful when shared with other local authorities, agencies and private sector partners to identify areas of common interest. There are a number of local authorities that have joined together to share expertise, realise administrative efficiencies, and economies of scale for mutual benefit. The completion of the data gathering exercise will provide the base for exploring the initiatives available such as collaboration with other Council's, using Consortia (e.g. ESPO and YPO) and using the OGC S-Cat and G-Cat Framework agreements.

2.5 E-Procurement

- 2.5.1 E-procurement is more than simply automating the purchase order and invoice payment process. It is about using the technology available to improve effectiveness of the whole supply chain and will have a number of building blocks. Electronic procurement is a key milestone within the National Procurement Strategy.
- 2.5.2 The Council is currently in the process of implementing its Agresso e-invoicing solution followed by electronic requisitioning.
- 2.5.3 To supplement this the Council is in the process of identifying:
- Electronic tendering and e-sourcing in partnership with Derbyshire County Council
 - The benefits of joining Source Derbyshire to provide a unified system of advertising tenders and giving procurement information throughout Derbyshire
 - The opportunities of joining the IdeA/Derbyshire Marketplace
- 2.5.4 The development of “e” initiatives is aimed at bringing down the cost of purchasing processes and transactions for the Council and its suppliers.
- 2.5.5 The diagram below outlines the e-procurement options available in the procure to pay process. The Council is working with Derbyshire County Council and other Council partners to explore the opportunities available through the Marketplace e-procurement solution.

	Controlling		Buying	
Activity	Sourcing	Managing	Ordering	Paying
Scenario	A Local Authority (LA) puts in place corporate contracts with suppliers	The LA reviews & negotiates contracts when necessary	A LA employee wants to purchase goods/services They contact the supplier, place an order & later take delivery	The supplier invoices the LA and payment is arranged.
Tasks	1. Perform due diligence on suppliers 2. Ensure best contract price and Service Level Agreement is achieved by negotiation 3. Select the best deal	1. Review existing supplier contracts 2. Monitor & assess performance of existing suppliers 3. Renegotiate contracts	1. Select goods/service 2. Place an order with the supplier 3. Receive the goods/services & complete delivery note.	1. The supplier invoice is received by the LA 2. LA arranges payment of invoice via accounting system
Solution Type	Reverse Auction	Contract Management	e-market place	e-invoicing
e-tender	Management Information	Back-office order system	Procurement card	
Bid evaluation tools		Supplier websites	BACS	
Management Information				

2.5.6 The e-procurement part of the Council's procurement strategy is likely to change and develop rapidly whilst it responds to changing needs and emerging technologies. The buying activity in the table is being implemented electronically along with e invoicing. E sourcing will be a work stream for the Derbyshire Procurement Forum to investigate with support from the East Midlands Centre of Excellence. The implementation of the e-procurement strategy will be incremental ensuring that risk is minimised whilst opportunities for business gain are developed and realised over time. However, some level of risk is inevitable if we are to take maximum advantage of new technology.

2.5.7 The following outlines some of the areas to be addressed when implementing e-procurement.

- **Understand your procurement values** – Public sector procurement is intrinsically different from the private sector. Unlike commercial organisations, which need to increase shareholder value, Councils are often guided by a variety of competing principles that steer employees toward several types of procurement methods.

- **Know your purchases and suppliers** – It is crucial to understand what you buy, from whom you buy it, and what problems you are trying to solve, before deciding on which procurement solution to adopt. Not all commodities or vendors are conducive to online transactions.
- **Understand your sourcing strategies** - Intricately linked to the procurement values and knowledge of your supplier base is the need to understand your supplier sourcing strategies. Strategic sourcing provides the mechanism to deliver this.
- **Understand the business case** – E-procurement projects are often initiated because the organisation believes it's the right thing to do. Establishing the business case and identifying the expected benefits are critical to defining and managing the scope of the project.
- **Understand your strengths and weaknesses** – It is critical to consider where your strengths and weaknesses lie in both organisational structure and personnel. Consider staff training programmes and outsourcing for part or all of the process.
- **Grant responsibilities to employees with care** – E-procurement projects should drive decision making to the correct level in the organisation. This should improve efficiency by reducing the number of approval levels necessary to complete a transaction.
- **Don't forget the architectural impact** – An e-procurement system, which is built into the organisational architecture, provides you with a solution to reduce complexity and improve service levels, without compromising on control.
- **Take security seriously** – Regardless of the functionality to be deployed, organisations with extensive Web architectures are candidates for security attacks. Do not underestimate the need to plan and manage security, and build such planning into budget estimates.

Key Action: To roll out e-requisitioning and e-ordering throughout the Council.

Key Action: To work with Derbyshire County Council to implement e-tendering where applicable throughout the organisation.

Key Action: To use Source Derbyshire to advertise business and tender opportunities for the Authority.

Key Action: To implement the IDeA/Derbyshire Marketplace.

3. HIGH VALUE/STRATEGIC PROCUREMENT

3.1 General Principles

3.1.1 Although there are less transactions that would meet the criteria under this category of procurement, each contract tends to be of a high expenditure level and carry far higher risks if the project is not completed successfully e.g. construction contract or tendering the provision of a service. Strong support and guidance, therefore, needs to be in place.

3.2 Legal Framework

3.2.1 High Value projects are likely to be subject to European Union (EU) procurement regulations and lack of compliance with the legal requirements can open the Council to costly legal appeal. All decisions must be transparent, objective and auditable. The EU processes specify different routes according to the type of procurement undertaken and the Council must provide clear support on the legal framework identifying as necessary how specialist legal advice can be obtained.

3.2.2 In response to part 1 of the Local Government Act 1999 the Council can now take account of certain 'non-commercial' matters when determining contracts. Under Best Value this prohibition has been removed enabling Authorities to take into account the terms and conditions of the workforce and the conduct of contractors or workers in industrial between them.

3.2.3 Guidance on using the EU procedures is to be developed as part of the Procurement Manual.

Key Action: To develop a user-friendly guide to EU procurement regulations.

3.3 Tender Evaluation

3.3.1 The Council must develop guidance on the selection criteria to be applied when awarding contracts. Criteria to take into account are:

- price, including total life cost
- quality
- plans for service improvements
- empathy with the Council's objectives and core values
- skills
- investment
- impact on employees innovation
- shared risk/reward
- staffing issues including TUPE arrangements
- environmental issues
- health and safety issues

Key Action: To write and publish guidance on Tender Evaluation.

3.4 Design and Construction contracts

3.4.1 The Council will review its construction and design processes to take account of the key elements of the Governments Guide on 'Rethinking Construction in Local Government' (Egan Report). The Council will work to the advice issued through Construction Excellence as the successor body to Rethinking Construction and the DTI's Construction Best Practice Programme.

3.4.2 This approach will provide the vehicle for ensuring that the Council implements the principles of Rethinking Construction. Key actions will be prepared from this new initiative of moving from the 'Risk adverse and Regulation dependent' procurement culture to the greater freedom and opportunities of working with the latest guidance.

3.4.3 The Council will build on the outputs from the 'Rethinking the Construction Client' which are identified as follows:

- Traditional processes of selection should be radically changed because they do not lead to best value;
- An integrated team which includes the client should be formed before design and maintained throughout delivery;
- Contracts should lead to mutual benefit for all parties and be based on a target and whole life cost approach;
- Suppliers should be selected by Best Value and not by lowest price: this can be achieved within EU and central government procurement regulations;
- Culture and processes should be changed so that collaborative rather than confrontational working is achieved.

3.4.4 The Council will focus on the following strategic issues that need to be addressed to ensure structures are in place to facilitate implementation at operational level:

- Ensure that the corporate structure enables the authority to strategically consider and implement Rethinking Construction principles.
- Encourage innovation, efficiency and effectiveness by involving all those who can contribute to the success of a project from the earliest possible stage.
- Develop a 'Respect for People' culture by ensuring that all have the necessary skills and are working in a safe and healthy environment.
- Focus on the desired outcomes from the projects and the extent to which they are achieved.
- Establish a strategy for each project and communicate this to all members of the team.

3.4.5 in addition, the strategic issues will be supported by the following operational issues and these will be aimed at those involved in administering individual building and engineering related projects:

- Appoint members to the team using a quality based selection process.
- Consider whole-life procurement by focusing on the long-term effectiveness of the buildings.
- Share risks and rewards with all of the team and provide them with incentives for achieving/improving on the project objectives.
- Encourage and use new technology where it has been demonstrated to be of potential benefit.
- Learn from experience.

Key Action: To review construction and design process along the principles of 'Rethinking Construction in Local Government'

3.5 Partnership Working

3.5.1 Partnering is more about the approach undertaken than a specific method of procurement. The Council is committed to working with public, private and voluntary sector organisations to develop co-operative procurement arrangements and develop supplier effectiveness. Exploring further opportunities to work in partnership and achieve benefit from sharing resources, skills and expertise, will evidence this commitment.

3.5.2 Partnering is a term widely used within both the public and private sectors but has no commonly agreed definition. The aim of partnering is for clients and service providers to work together to achieve best value for all parties by adopting a flexible and motivated approach unrestrained by artificial barriers and in a non-confrontational manner. The partnership must be underpinned with a formal contract, processes and procedures document in which the ethos of the partnership is captured.

3.5.3 The partnering model enables customers and service providers to work together sharing risk, cost savings, innovations and best practice. The relationship is built on mutual respect and trust that develops between customer and suppliers at strategic and operational levels and enables the sharing of skills, knowledge, research, development and risk. The aim is partnerships will become long term relationships where quality is enhanced, life cycle costs are driven down and customer satisfaction remains high.

3.5.4 Partnering principles will be applied to individual projects. There is a growing number of successful project partnering initiatives which the Council may embrace, establish areas for improvement and develop best practice. However, to maintain momentum and build on the learning and culture that has taken place, it is increasingly important for the Council to extend these partnering principles to more strategic alliances covering:

- Programmes or phases of work
- Work which is more difficult to define precisely in advance such as building maintenance
- Initiatives whose priorities will develop over time requiring flexible structures
- Projects where a solution has yet to be defined such as regeneration or redevelopment projects
- Initiatives where construction is only part of the solution and the partnership may extend into the operation of a facility or series of facilities, for example the Private Finance Initiatives.

3.6 Project/Contract Management

3.6.1 Procurement undertaken in this category needs to be managed to formal project management principles, with responsibilities clearly outlined and plans must be in place setting targets, milestones, timescales and resources required for successful completion. This applies not only to tendering processes but also to the performance of the contract once in place to ensure the desired outcomes are achieved and the Council's objectives are met. Prince 2 project management as been adopted by the Council as the methodology for undertaking project and contract management reviews.

<p>Key Action: To establish and embed Prince 2 project management methodology into the procurement process.</p>
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3.7 Best Value Procurement Guidance

3.7.1 The raison d'être of procurement is to enable the Council to obtain goods, works and services that are value for money. This in turn facilitates the delivery of best value services.

3.7.2 As such procurement is an integral feature of Best Value. It is a fundamental part of the performance review process for Council delivered services, as well as an integral part of the acquisition and management of external resources. The Byatt report notes "the duty of Best Value requires local authorities to make decisions on what services should be provided and how much they should pay for them, after consulting service users and others with an interest, within certain constraints. Without an effective procurement strategy in place, a local authority will not achieve Best Value".

3.7.3 Best practice would to ensure the principles of Best Value (Challenge, Compete, Compare and Consult) being of such importance should not be just the focus of periodic reviews, but that these principles are embedded into business as usual.

3.7.4 Procurement should be at the heart of the Best Value process.

3.8 Performance Improvement

3.8.1 Achieving continuous performance improvement is an essential objective for each and every one of the Council's services. Effective procurement needs to be recognised, where appropriate, as a tool that can be used to achieve this.

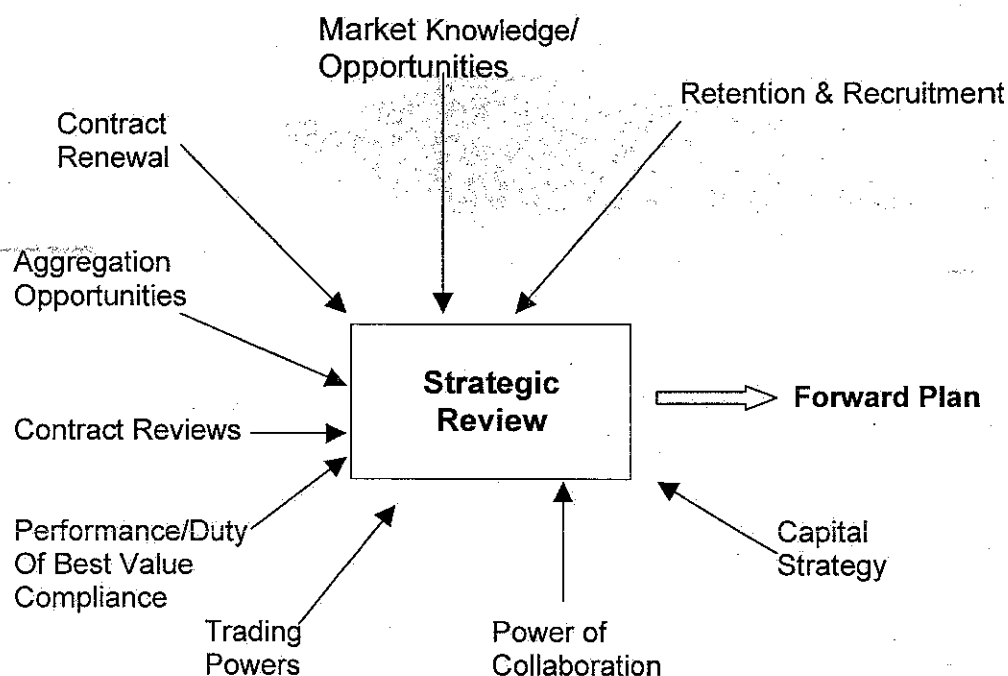
3.9 Strategic Procurement Forward Plan

3.9.1 A forward plan of strategic procurement reviews needs to be developed over a three to five year period.

3.9.2 Any efficiency or revenue savings will need to be measured and reported. (See Appendix C).

3.9.3 The forward plan is driven by a number of triggers that may stimulate the inception of a procurement project. These are depicted in the diagram overleaf

3.9.4 Non-routine procurements should be highlighted during the annual Service Planning process.



3.9.5 The forward plan considers a number of drivers:

- Renewal dates for large strategic contracts
- Market opportunities and maturity
- Opportunities for investigating new financial models for the procurement of services
- Poor performance of services/best value reviews
- Analysis of internal spend
- Analysis of non-pay expenditure

3.9.6 All strategic procurement exercises will be project managed under the PRINCE 2 project management framework. Each will undertake an options analysis comparing the following procurement options:

- Traditional procurement
- Partnering
- PFI/Public Private Partnership
- Outsourcing
- In house service provision

3.9.7 The options analysis will encompass a review of the following:

- Cost
- Service quality
- Risk
- Deliverability
- Timescales
- Funding
- Practicality
- Legal/Statutory requirements

Key Action: To develop a corporate mechanism for reporting savings and efficiencies.

Key Action: To produce a Strategic Forward Plan for service reviews.

4 RISK ASSESSMENT

4.1 Applying Risk Assessment Principles

4.1.1 All procurement should be subject at an early stage to the identification, quantification and subsequent management of risk so that risk is retained or transferred to the party who can manage the risk the most effectively. This analysis should be completed in line with the Council's Risk Management Policy and Strategy.

4.1.2 Examples of the type of risk that may need to be considered include:

- Financial risk
- Risk of service failure
- Risk of customer dissatisfaction
- Risk of poor service delivery
- Risk of being locked to one provider
- Risk of difficult or costly relationship management
- Risk of permanent loss skills or assets

4.1.3 Risks and procurement 'Lessons Learned' identified will be recorded in a Procurement service risk register with the necessary actions required to manage the risk. These risks will be incorporated into the Authority's risk register and be reported to the Corporate Risk Management Team.

4.1.4 Details of the risks identified and the necessary management action will also form part of the annual service plan.

4.1.5 The benefits and opportunities that may arise will need to be analysed in order to balance such opportunities against the risks. This will ensure that all aspects of the procurement are properly weighted against each other.

4.2 Health and Safety

4.2.1 As part of the risk assessment carried out, health and safety considerations must be included. This relates both to ensuring the Council's Health and Safety policies and procedures are met, particularly in the supply of services, and also ensuring that items purchased meet appropriate Health and Safety requirements/standards.

4.3 Additional Controls

4.3.1 Procurement in the public sector is subject to legislation and constraints. It requires an appropriate level for management to ensure that all procurement remains legal, ethical and transparent whilst embodying the Council's core values.

4.3.2 Councils have a legal requirement to have contract procedure rules. However, to ensure that these are understood, by all who may need to use them, a user-friendly version must be developed and placed on the intranet.

4.3.3 Contract procedure rules and financial procedure rules should be reviewed periodically and need to take account of changing technology such as e-procurement.

<p>Key Action: To publish a simple user guide to Contract procedure Rules on the intranet.</p>

5 EMPLOYMENT MATTERS

5.1 Employee Consultation

- 5.1.1 Staff affected will be kept informed of procurement developments at all times and a consultation timetable will be agreed at the outset and adhered to throughout.
- 5.1.2 The views of staff on such matters will be ascertained and considered fully.
- 5.1.3 Where procurement affects staff, staff representatives will be kept informed and invited onto the Procurement Project Group and relevant evaluation panels.

5.2 Transfer of Employees

- 5.2.1 Where outsourcing is an option, this will be done with certain and consistent application of TUPE.
- 5.2.2 There will be no transfer to any other organisation under Best Value unless the Council is satisfied that the prospective employer is sound. The Council will not award contracts to organisations with poor track records in areas such as employment conditions. This extends to issues of equality such as sex, race, sexual orientation etc.
- 5.2.3 Where there is TUPE transfer, the Council will provide bidders with accurate and timely information on all relevant matters. Bidders will be expected to demonstrate that they understand and can manage their obligations under TUPE, with no detriment to the terms and conditions of transferred employees in connection with the transfer.
- 5.2.4 Contractors selected to provide services to the Council and to take on former staff should also have the policies that ensure good communication and consultation with the workforce on key issues following a transfer.
- 5.2.5 The Council will also seek to provide protection of the pension rights of transferring staff. The authority will expect employers to either seek admitted body status (where eligible) to the Local Government Pension Scheme or to offer membership of an alternative scheme that is certified as being broadly comparable. Negotiations to resolve the issue of pensions shall take place at an early stage in the process and shall be open and transparent.
- 5.2.6 Where transfer does not take place, where appropriate the Council will seek to redeploy staff within the Council.
- 5.2.7 With effect from 13 March 2003 the Government introduced a statutory Best Value Code of Practice on Workforce Matters in local authority service contracts. The main issues include the provision that in transfer situations even when TUPE does not apply in strict legal terms, the principles of TUPE should be followed and the staff involved should be treated no less favourably than had the regulations applied.

5.2.8 Throughout the length of the contract, the service provider will provide the Authority with information as requested which is necessary to allow the authority to monitor compliance set out in the code and in particular measures to prevent the emergence of a two-tier workforce. The authority will seek to enforce these obligations on the service provider under this Code. The Code is supplemented by an annex to specifically protect the pensions of transferees in line with the definition given at 5.2.5.

5.3 Training and Development

5.3.1 A substantial amount of procurement carried out within the Council is not managed by purchasing professionals and therefore, the skills required need to be properly identified and met. This will include project and contract management skills referred to earlier as well as competency in appraising suppliers, carrying out negotiations and risk management.

5.3.2 In addition where new processes are adopted e.g. use of payment cards or on-line procurement or changes to guidance/procedure rules, training requirements need to be identified as part of the changes proposed.

Key Action: To carry out an audit of procurement activity throughout the Council and determine training needs.

6 SUSTAINABILITY AND LOCAL REGENERATION

6.1 Sustainability

6.1.1 Sustainable development means that economic growth, social cohesion and environmental protection must go hand in hand. The National Procurement Strategy requires every Council to build sustainability into its procurement strategy, processes and contracts. Sustainability lies at the heart of the Council's corporate plan. In line with this it is important to acknowledge that the procurement framework and the need to achieve the government's sustainability objectives are compatible.

6.1.2 The IDeA's publication "Sustainability and Local Government Procurement" is a good source of information that the Council can draw upon in development of its Procurement Policy. The Council is currently also preparing a Environmental (Green) Purchasing Guide.

6.1.3 The business case in each procurement project must address sustainability issues and identify whether there is scope to improve the environmental, economic and social impacts of the proposed contract.

Key Action: To develop and agree an Environmental Guide to Purchasing.

6.2 Local Regeneration

6.2.1 Generally, procurement will be based on the lowest price for comparable quality. However, the Council recognises that as a major buyer of goods and services, the decisions it takes in awarding contracts can have an effect on the local economy and local communities.

6.2.2 In response, the Council is committed to maximise the regeneration impacts of its' procurement decisions.

To help it achieve this the Council will need to take a number of steps, including:

- Completing an analysis of the Council's current spending patterns, which identifies how much we are spending locally; (this is being funded by the East Midlands Centre of Excellence for all Authorities in the region)
- Signing up to the national Small Business Concordat – a series of commitments that aim to increase the local regeneration impacts of procurement decisions;
- Implement the 'Checklist for Action' produced by the Chief Economic Development Officers' Society (CEDOS);
- Using Source Derbyshire to advertise business opportunities at all levels up to European Threshold values;
- Promoting the availability of our services through local business organisations such as business Link Derbyshire, East Midlands Development Agency and Source Derbyshire.

6.2.3 The Council will work with suppliers to become e-enabled which will help local businesses compete with other non-local suppliers. It can also help local businesses to gain business from other Council and public sector bodies that are moving towards electronic procurement.

6.2.4 When the Council prepares to outsource or re-tender major contracts, the potential impact upon local suppliers will be identified as part of the process. It may be appropriate to work with small suppliers to see how they can work collaboratively to enable them to submit a tender for evaluation.

6.2.5 The Corporate Procurement Working Group has a representative from the Economic Development Team.

Key Action: To sign up to the National Concordat for Small Businesses.

Key Action: Implement the 'Checklist for Action' produced by the Chief Economic Development Officers Society.

6.3 Green Procurement

6.3.1 The environmental impacts of procuring goods and services are deep and wide ranging. The key principles to consider are “reduce, reuse, recycle and rethink” – including about thinking about whole life costs (noting in particular the cost of disposal).

6.3.2 The early consideration of green issues with an emphasis on whole life costing may result in a differing requirement providing better value for money. Invitations to tender and pre qualification questionnaires should include a requirement for potential suppliers to identify the environmental impacts of their organisations products and how they propose to minimise them. This will allow a wider consideration of the issues during which the evaluation of tenders, and may result in new ideas.

6.3.3 Questions which can be asked of major suppliers tendering for large contracts should include:

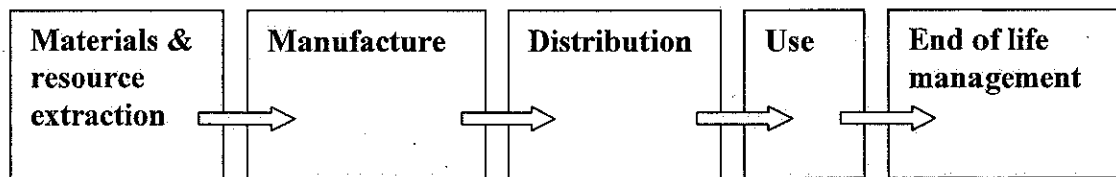
- Does the organisation have an environmental policy?
- Does the organisation have an environmental management system in place?
- Does the organisation hold accreditation for EMAS and/or ISO14001?
- Has the organisation compiled an environmental effects register?
- Does the organisation have an environmental action plan to reduce adverse impact on the environment?
- Identify the environmental impact of the provision of your supply/service.

6.3.4 The answers to the above questions can be used to consider both the environmental risk and profile risk (concerned with perceptions of those outside of the Council on what the Council ‘should be doing’). These two risks can be placed onto a ‘green purchasing matrix’ and be used to assist in the evaluation of tenders. High profile/high risk goods and services include:

- Cleaning materials and services
- Furniture
- IT equipment
- Timber
- Vehicle maintenance and waste disposal

6.3.5 Wider costs (e.g. long term pollution) should be considered at the specification of requirements stage. In addition, whole-life costs* provides the means of determining if it is cost effective to invest in a more expensive product initially to reduce costs in the long run. The environmental impacts in each stage of a product or service's lifecycle need to be taken into account.

* Whole life costs can be defined as the total resources required for putting together, equipping, maintaining and operating a purchase such as a piece of equipment, vehicle or building. It is made up of the costs to develop, acquire, own, operate and, preferably, re-deploy or, less preferably, dispose of the equipment or property when no longer required for the purpose for which it was purchased.

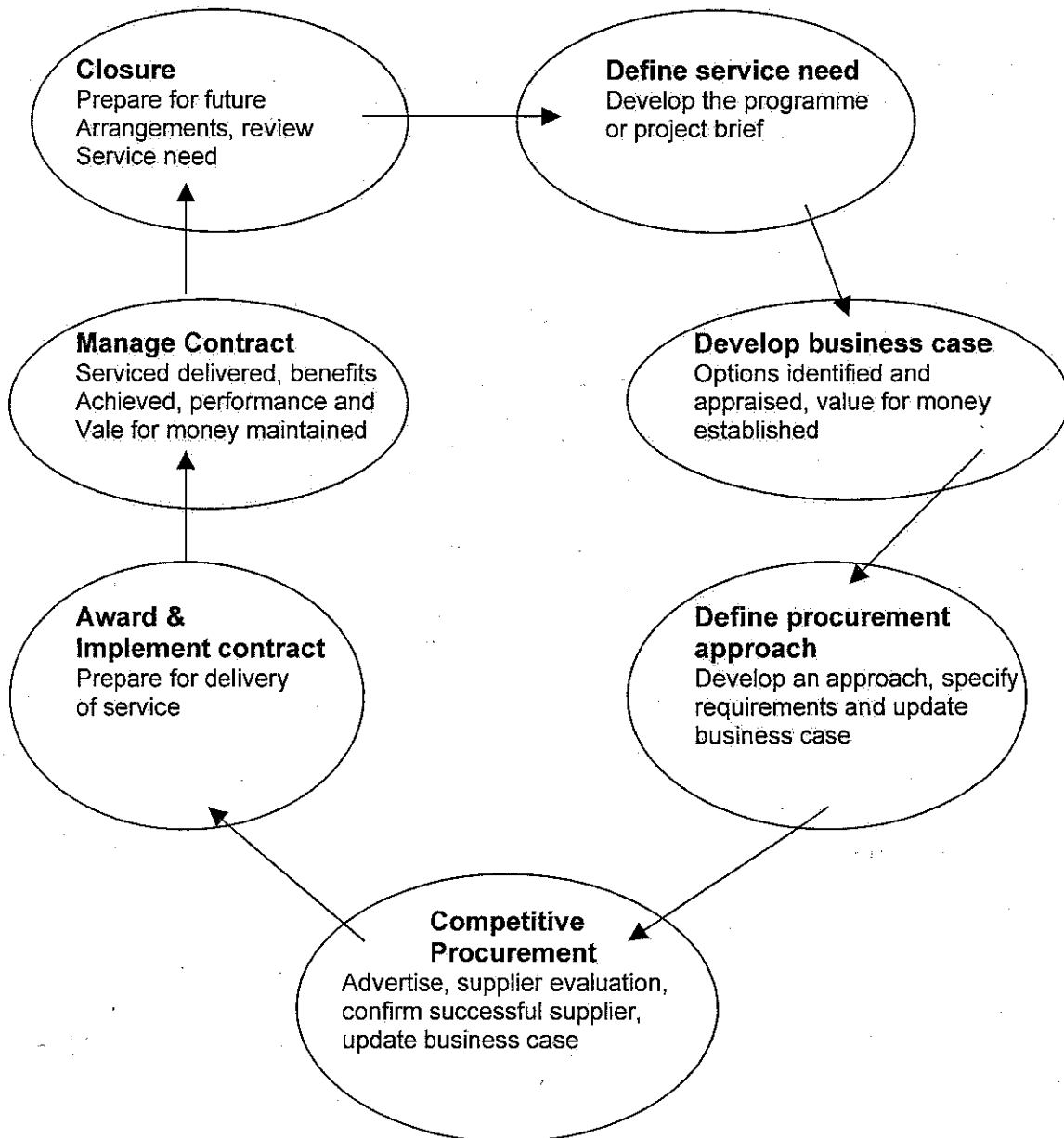


6.3.6 The Council's long-term procurement strategy will need to develop further the issues of sustainability.

6.3.7 Sustainability needs to be built into the whole procurement process:

- Defining the need
- Evaluating options
- Design and specification
- Supplier selection
- Tender evaluation
- Post-contract management
- Supplier development

6.3.8 The cyclical process (see figure below) that should be used to manage procurement within the authority needs to be widened to ensure that sustainability has been built into every action and key decision point.



6.3.9 The main steps involved in building sustainability into the Procurement Strategy are:

- Council to adopt and publish a sustainable procurement policy
- Map future procurement requirements
- Risk based assessment of prioritising most important categories (e.g. construction) of procurement for targeted action
- Develop plans for reducing environmental impacts with monitoring targets

- Assign individual responsibilities in service areas for assessing future contracts outside the financial limits of corporate assessment
- Individual dialogue between responsible officers and suppliers on future requirements including environmental performance
- Encourage suppliers to come forward with more sustainable product options to meet performance requirements

6.3.10 The Government (OGC Buying Solutions) has announced a number of 'quick wins' for choosing products and services with lower environmental impacts. There are also many UK and international standards called ECO-labels that are awarded to 'greener' products.

6.3.11 The Council needs to develop a Green Purchasing Guide that provides guidance to staff on how they can help to conserve energy and resources, and reduce waste and pollution through purchasing decisions.

The Guide must set out the main issues and best practice concerning the purchasing of:

- Office equipment and stationery
- Paper
- IT equipment
- IT consumables
- Electrical appliances
- Batteries
- Ozone depleting substances
- Paints
- Cleaning materials
- Food and catering
- Ground works, parks and open spaces
- Vehicles and fuels
- Timber products
- Office furniture

6.3.12 A review of the current procedures for the purchase and management of all its energy and water needs to be carried out.

6.3.13 The Council should seek ways to reduce energy and water use, reduce the use of energy derived from fossil fuels and increase the energy used from renewable sources.

Key Action: Develop the Council's Sustainable Procurement Policy.

Key Action: Carry out a review of energy and water requirements.

7 EQUALITIES

7.1 South Derbyshire District Council is committed to equalities in all its activities. Any contractor/organisation working for and on behalf of the Council, or any organisation receiving grants from the Council, should demonstrate its compliance with all current legislation. The legislation listed below is not exhaustive but includes:

- Disabled Person (Employment) Acts 1944 and 1958
- Disability Discrimination (Employment) Regulations 1996
- Disability Discrimination Act 1995
- Equal Pay Act 1970
- Race Relations Act 1976 and Race Relations (Amendment) Act 2000
- Sex Discrimination Acts (1975 and 1986)
- Sex Discrimination (Gender Reassignment) Regulations 1996

7.2 The contractor/organisation must ensure that all providing, receiving or benefiting from the service are treated fairly and without discrimination, either directly or indirectly. The contractor/organisation shall not discriminate either on grounds of race, skin colour, nationality, ethnic or national origin, gender, sexual orientation, marital status, disability, age, religious belief or class, education or health.

7.3 At the pre-qualification stage the authority will seek information as to the general competence, track record, details of criminal offences and acts of grave misconduct in relation to legislation on sex, race and disability. Contractors will be excluded from the tendering exercise if they have been convicted of a criminal offence or have committed an act of grave misconduct.

7.4 The following will be added as clauses in tender documents for contracts:

- It is a priority of the Council's policy to use whatever opportunities are allowed by law to ensure that contractors and their agents accept a commitment to equalities
- The contractor and any sub contractor employed by the contractor shall adopt policies to comply with all legislation as detailed above
- The contractor is required to ensure that information and services are fully accessible to all sections of the community and that resources are targeted to ensure that best value is provided
- The contractor is required to make every effort to consult, involve and encourage the participation of local communities
- The contractor will undertake to build a workforce that reflects the diversity of its communities at all levels wherever possible
- In the event of any finding of unlawful discrimination being made against the contractor or any sub contractor employed by the contractor, during the contract period, by any court or employment tribunal, or of any adverse finding in any formal investigation by the Commission for racial Equality, Equal Opportunities Commission, and/or Disability Rights Commission, over the same period, the

contractor shall inform the Council of this finding and shall take appropriate steps to prevent repetition of the unlawful discrimination.

- The contractor shall provide such information as the Council may reasonably request for the purpose of assessing the contractor's compliance with the above conditions including, if requested, examples of any instructions, recruitment advertising or other literature, and detail of monitoring applicants and employees
- The Council will monitor performance in this area. Non-compliance will be treated as a serious breach of contract and may result in this contract being terminated and/or the contractor not being permitted to tender for future contracts.

7.5 The contractor will accordingly complete the evaluation questions in the tender documentation:

- A. Is it your policy as an employer to comply with your statutory obligations under the Disabled Persons (Employments) Acts 1944 and 1958, Disability Discrimination (Employment) Regulations 1996, Equal Pay Act 1970, Race Relations Act 1976 and Race Relations (Amendment) Act 2000, Sex Discrimination Acts 1975 and 1986, Sex Discrimination Act (Gender Reassignment) Regulations 1996, and accordingly, your practice not to treat one group of people less favourably than others because of their colour, race, nationality or ethnic origin in relation to decisions to recruit, train or promote employees?
- B. In the last three years, has any finding of unlawful discrimination been made against your organisation by any court or employment tribunal? Has your company made any Out of Court settlements, if so what were they?
- C. In the last 3 years, has your organisation been the subject of a formal investigation by the Commission for Racial Equality, Disability Rights Commission and/or Equal Opportunities Commission on grounds of alleged unlawful discrimination?
- D. If the answer to questions 2 and 3 is yes, what steps did you take in consequence of those findings?
- E. Where and how is your policy on equalities publicised to staff and applicants for jobs?
- F. Please provide a copy of your equalities statement and any other documentation you feel appropriate e.g. IIP accreditation.

Key Action: Ensure any Pre-qualification questionnaires include relevant questions regarding Equality legislation and policy.

Key Action: Ensure tenders issued include all relevant terms regarding Equality legislation and policy.

Key Action: Develop all procurement equalities policies in line with Councils' Corporate Equal Opportunity Policy.

8 CONSULTATION

- 8.1 The needs of service users must be taken into account in ensuring that the outcomes of procurement activities are realistically set and achieved. This may be internal users where procurement is carried out on the behalf of other users, or the wider community when considering the provision of specific services.
- 8.2 The means by which consultation will be carried out and updated to allow for improvement should be developed further in line with the Council's Corporate Consultation Strategy.

9 FINANCIAL ISSUES

9.1 Contract Procedure Rules

- 9.1.1 Financial procedure rules and contract procedure rules need to be regularly updated to ensure that they reflect good procurement practice and provide appropriate safeguards for the Council in any purchasing activity undertaken.
- 9.1.2 Particular regard needs to be given to the effect of future developments identified within this strategy e.g. the implications of e-procurement, purchase cards and partnerships.

9.2 Value for Money

- 9.2.1 The implementation of this strategy is necessary for the Council to ensure that Value for Money is being achieved in relation to the substantial expenditure on the purchase of goods and services.
- 9.2.2 Measuring the full cost of the procurement process, including time spent on developing tenders, contract management and the placing of order/payment of invoices will assist the Council in ensuring that the benefits of proposed improvements can be measured and value for money achieved across the range of procurement undertaken.
- 9.2.3 It is important to consider the optimum combination of whole life cost and quality (or fitness for purpose) to meet the user's requirements.

Key Action: To review and update Contracts Procedure Rules and Financial Regulations.

10 PERFORMANCE MANAGEMENT AND REVIEW

10.1 Performance Management

10.1.1 The work undertaken in support of this strategy needs to be capable of being measured and indicators of success are likely to include:

- ✓ Customer satisfaction
- ✓ Percentage of expenditure under framework contractual arrangements with suppliers on an approved list
- ✓ Size of the supplier base
- ✓ Expenditure using purchase cards
- ✓ Expenditure committed through partnerships
- ✓ Employee costs as a percentage of procurement expenditure
- ✓ Percentage of procurement activity carried out electronically

10.1.2 In many cases this will require the setting up of performance management systems that are not currently in place.

10.1.3 Targets need to be set which follow the SMART principles (specific, measurable, agreed, realistic and to a timescale). These will cover activities such as the establishing of financial monitoring systems that capture data on goods and services, collating a single register of all contractors, developing best practice guidelines and procedures, and identifying improvement levels.

10.2 Review

10.2.1 This strategy will be reviewed annually to:

- Monitor the progress on the actions identified
- Update the Strategy as building blocks are put in place and to set new performance targets

10.2.2 This will involve periodic performance reports to the Financial Management Committee.

10.2.3 The Corporate Procurement Working Group will act as the Steering Group to ensure the strategy is developed and key actions are completed.

10.2.4 The Financial Management Committee is responsible for Corporate Procurement and reviewing related strategies and policies.

Key Action: Review and update the Procurement Strategy on an annual basis or as changes in legislation or policy necessitate.

Appendix A

NATIONAL PROCUREMENT STRATEGY MILESTONES

The National Procurement strategy has a number of milestones for all Authorities to meet. All those with a tick ✓ have been completed at March 2006. Those highlighted with an asterisk * are currently being addressed or in the process of being implemented.

By 2004

- ✓ Corporate procurement strategy developed, owned by chief executives, members and senior officers
- * Strategy's implementation regularly measured
- ✓ Approach to partnering in construction and service delivery set out
- Approach to collaboration and new trading powers set out
- * Appraisal of service delivery models included in Best Value reviews
- ✓ Staff consulted on employment issues in procurement processes and contracts
- 2003 Act and 03/2003 Circular built into processes and contracts
- * Publish a Selling to the Council Guide (website)
- ✓ Ensure corporate procurement strategy is addressing sustainability and equality issues, helps to achieve the community plan and involves the voluntary sector
- Conclude a compact with the local voluntary and community sectors

By 2005

- ✓ Centres of Excellence involved (districts and upper tiers)
- Average time from OJEU notice to contract award reduced by 10%
- ✓ Smaller districts collaborating with others for shared services
- ✓ All Councils co-operating regionally via networks of centres of excellence
- * Appropriate e-procurement solution implemented
- * Using government purchasing card/equivalent for low value purchases
- ✓ Progress being measured
- Relationship of procurement to community plan addressed

- ✓ Workforce diversity, equality and sustainability issues addressed
- ✓ Sustainability built into procurement strategy, processes and contracts
- Concordat for SMEs and voluntary sector compact concluded
- Information Memorandum to prospective bidders included in tendering processes
- Invitation to bidders to demonstrate effective use of supply chain included
- Give bidders option to specify benefits under community plan

By 2006

- Average time from OJEU notice to contract award reduced by 25%
- * Accessing an appropriate Marketplace
- * Show evidence of service improvement and efficiency gains resulting from better procurement
- ✓ Health checks against National Procurement Strategy (districts)

Appendix B

Action Plan

Action	Local or National Performance Indicator	Measure of Success	Target Date	Head of Service Responsibility
To work with EMCE to analyse purchasing spend & identify opportunities for aggregating expenditure & identifying savings	Local	Spend analysis complete. Table of potential opportunities compiled.	August 2006	Head of IT & Customer Services
To write and publish a Corporate Procurement Manual	Local	Manual Published	July 2006	Head of IT & Customer Services
To implement e-requisitioning/e-ordering	Local/National	Systems live	October 2006	Head of Finance & Property Services
To work with Derbyshire County Council to implement e-tendering	Local	System Live	October 2007	Head of IT & Customer Services
To use Source Derbyshire/Source East Midlands to advertise tenders.	Local	System Live	August 2006	Head of IT & Customer Services
To implement the IDeA/Derbyshire Marketplace	Local/National	System Live	January 2007	Head of Finance & Property Services
To develop a user friendly guide to EU regulations.	Local	Documents published	May 2006	Head of IT & Customer Services
To write and publish guidance on Tender Evaluation	Local	Documents published	November 2006	Head of IT & Customer Services
To review Construction and design process in line with Rethinking Construction Principles	Local/National	Review complete and guidance issued	October 2007	Head of Housing
Embed Prince 2 into the Council's procurement process	Local	Methodology used	October 2006	Head of Human Resources/All Heads of Service
To develop a corporate mechanism for reporting savings and efficiencies	Local	Reporting method agreed and used	May 2006	Head of IT & Customer Services/All Heads of Service
To produce a Strategic Forward Plan for service reviews	Local	Plan produced	July 2006	Director of Corporate Services

Action	Local or National Performance Indicator	Measure of Success	Target Date	Head of Service Responsibility
To produce a simplified user guide to Contract Procedure rules on the intranet	Local	Guide published	August 2006	Head of IT & Customer Services
To carry out an audit of procurement activity and determine training needs	Local	Audit carried out, training plan produced	December 2006	Head of IT & Customer Services
To develop and agree an Environmental Guide to purchasing	Local	Guide published	September 2006	Head of IT & Customer Services
To sign up to the National Concordat for Small Businesses	Local/National	Signed up to Concordat	September 2006	Head of Policy & Economic Regeneration
Implement 'Checklist for Action' produced by CEDOS	Local	Checklist implemented	August 2006	Head of Policy & Economic Regeneration
Develop the Councils Sustainable Procurement Policy	Local/National	Policy published	October 2006	Head of IT & Customer Services
Carry out a review of energy and water requirements	Local	Review complete	May 2006	Head of IT & Customer Services
Ensure tenders include relevant Equality terms	Local	Tenders amended, terms included	July 2006	Head of IT & Customer Services/Head of Human Resources
Ensure pre-qualification questionnaires include Equality legislation	Local	PQS amended, terms included	July 2006	Head of IT & Customer Services/Head of Human Resources
To review Contracts Procedure Rules and Financial Regulations	Local	Rules reviewed and re-written	November 2006	Head of Finance & Property Services/ Head of Legal & Democratic Services
Review and update Procurement strategy	Local/National	Strategy reviewed/amended	May 2006 and annual	Head of IT & Customer Services
Strategy's implementation measured	National	Measurement methodology implemented	September 2006 & annual	Corp Procurement Working Group/ F&M Committee

Action	Local or National Performance Indicator	Measure of Success	Target Date	Head of Service Responsibility
Approach to collaboration & new trading powers set out	National	Policy produced	July 2006	Corporate Management Team
Appraisal of service delivery models	National	Model documents produced	November 2006	Head of IT & Customer Services
2003 Act and 03/2003 Circular built into processes and contracts	National	Act incorporated into processes/contracts	July 2006	Head of Legal and Democratic Services
Publish a Selling to the Council Guide	National	Guide published	April 2006	Head of IT & Customer Services
Conclude a compact with the local voluntary & community sectors	National	Compact concluded	September 2006	Head of Leisure and Community Development
Review use of purchasing cards	National	Card implemented if appropriate	January 2007	Head of Finance & Property Services
Relationship of procurement to community plan addressed	National	Community plan addressing procurement issues	April 2007	Corporate Management Team
Information Memorandum to prospective bidders included in tendering process	National	Information Memorandum produced and published	October 2006	Head of IT & Customer Services
Invitation to bidders to demonstrate use of supply chain included in tendering process	National	Standard invitation produced	November 2006	Head of IT & Customer Services
Give bidder option to specify benefits under community plan	National	Option included in tenders	December 2006	Head of IT & Customer Services

Appendix C

SAVINGS MEASUREMENT REPORT SUMMARY

Savings Measurement Report (Example Only)

Project/Contract: Advertising

User Department: Corporate
Purchasing Contact: AN Other 1
User Contact: AN Other 2

Contract Period: March 2005 to February 2007 (possible extension to February 2008)

No. of Years: 2 (+1)

Historical Spend/Value: £50,000

Contracted Value: £40,000

Enter Cash Savings

Saving Category	Initial Costs	Final Costs	% Saving	Year 1 Saving	Year 2 Saving	Year 3 Saving	Year 4 Saving	Total Saving (Contract Period)
Cash	£50,000	£40,000	25%	£10,000	£10,000	£10,000	N/A	£30,000
Efficiency	£10,000	£9000	11%	£1,000	£1,000	£1,000	N/A	£3,000

Description of Efficiency Savings

An advertising agency will now place all public notice adverts in the relevant press, to the relevant standard. All orders will be e-mailed and all copy and design work completed at the agency and not at SDDC. This will result in approximate 25% reduction in administrative work of one post.

Can Efficiency Savings be estimated in financial terms? Yes/No

If Yes please enter in above table.

Please forward this form to the Corporate Procurement Manager.

Appendix D

Peer Reviews

Andrew Foster	Assistant Director (Procurement)	East Midlands Centre of Excellence
Colin Whitehouse	Senior Regional E- Gov Advisor	Office of the Deputy Prime Minister
Sandy Williams	Procurement Officer	Bassetlaw District Council
Robert Truswell	Procurement Officer	Rushcliffe Borough Council

Appendix E

Further Information/Useful Links

South Derbyshire District Council Corporate Plan
<http://www.south-derbys.gov.uk/NR/rdonlyres/E59361E2-43A8-422F-BA21-F19FB0542BB1/0/DraftCorporatePlan200609v16.pdf>

East Midlands Centre of Excellence
www.emce.gov.uk

Chief Economic Development Officers Society
<http://www.aequalis.co.uk/cedos/index.html>

Source Derbyshire
<http://www.sourcederbyshire.co.uk/busdir/homePage.aspx>

Office of the Deputy Prime Minister
<http://www.odpm.gov.uk/>

