

# **Thanet District Council**

## **Procurement Strategy**

**2006-2009**



## **Foreword**

It is with great pleasure that I am able to provide the foreword for the Corporate Procurement Strategy, which is now in its second version. The Corporate Procurement Strategy provides a framework for the Council to obtain best value in all its procurement activities. The strategy addresses all elements of procurement activity, from identifying need, considering options, procuring the appropriate goods, services or works, effective supplier and contract management, through to the disposal of assets. The strategy also addresses the many solutions available to the Council, from establishing corporate contracts, using collaborative and consortia arrangements, through to developing long-term strategic partnerships.

There have been a number of changes to this version, which are reflective of progress and achievements to date within the Procurement activity and more widely responds to a continually changing environment. Therefore, they are important changes that provide a clear focus on two seemingly incompatible priorities:

- identifying and delivering efficiencies, but not at the cost of quality, and
- developing and embracing socially responsible procurement.

I believe that these two priorities can be reconciled through adopting a mixed economy approach, evaluating on the basis of whole life costs, and breaking down the barriers to doing business with the Council.

The Council's Contract Procedure Rules have also been reviewed and revised which, not only reflect current best practice and legislative changes, but also provide a framework to enable all the Council's buyers to demonstrate value for money whilst taking account of social, economic and environmental issues.

The Contract Procedure Rules and this Corporate Procurement Strategy are supported by a Code of Practice, Code of Conduct and corporate systems, which provide guidance and support for all officers of the Council who procure goods, services and works.



Councillor Zita Wiltshire  
Cabinet Member for Customer Services

## INTRODUCTION

Thanet District Council's Procurement Strategy has been updated to reflect the changing needs of the Council, its Staff and Members. This Strategy will give support to the Council's corporate objectives and is underpinned by the overriding principles of Equality, Non Discrimination and Transparency within our Procurement practices. This document sets out the Council's Strategic approach to procurement for the next three years. The Council has invited and welcomed a number of recent external assessments, NePP E-Procurement Fitness check, IDeA Procurement Healthcheck and an Audit Commission Progress Review of Procurement. These assessments have identified the significant achievements attained to date within procurement and recognises that the Council continues to build capacity to deliver wider aspirations, which are informed and formalised within this Strategy and the accompanying action plan.

The Procurement Strategy is not intended to be a procurement manual; however, the principles contained within this strategy, which give guidance and direction to officers in fulfilling their stewardship and best value obligations in regard to procurement, should be applied to all procurement activity. Consideration of this strategy is not optional and should be read in conjunction with Contract Procedure Rules, the Procurement Code of Practice and the Officers' and Members' Code of Conduct.

### **What do we mean by procurement?**

"Procurement" is the process of acquiring goods, works and services, covering both, acquisition from third parties and from in-house providers. The process spans the whole cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves option appraisal and critical "make or buy" decisions which may result in the provision of services in-house in appropriate circumstances".

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### **What is the purpose of the procurement strategy?**

The purpose of this strategy is to promote effective procurement across the whole organisation in support of the Council's corporate objectives.

This strategy recognises the Council's four main aims (STEP):

**Service** We will strive to provide the highest possible standards of service to the public at all times, in all areas of our work.

**Teamwork** We will consult and involve Thanet people in decisions that affect their future, and will establish a corporate culture of teamwork and partnership for all employees and organisations we work with, to enable us to achieve our goals.

**Economics** We will consider the financial implications of every decision we take, to assess whether the outcome will add value to the work of the Council, for the benefit of Council taxpayers.

**Pride** We will provide clear, accountable leadership on behalf of the community to develop the local economy and improve the local environment in a sustainable manner.

What are the objectives of the procurement strategy?

Our key objectives for procurement are to:

Ensure that procurement planning reflects the Council's corporate aims and objectives and also those of the Community Strategy.

Secure commitment to effective procurement from Members and Officers at all levels throughout the organisation.

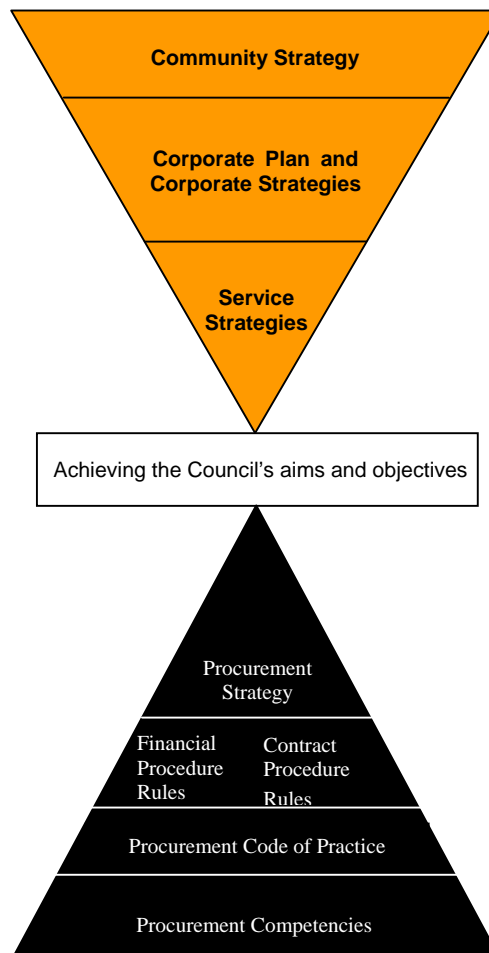
Provide a corporate focus to procurement, to achieve the most effective resource allocation whilst avoiding duplication of effort.

To be a driver for achieving Value for Money for the community of Thanet in supporting the Government Efficiency agenda by Procurement being a major contributor to the Council's Annual Efficiency Statement.

To promote Equality, Non Discrimination and Transparency within the Council's Procurement practices.

Map out the way forward so that we continuously improve the Council's procurement function.

*Figure 1 illustrates how this procurement strategy fits within the Council's strategic framework*



## **GOOD PROCUREMENT IN THANET MEANS ... ..**

- Ensuring a consistent approach to procurement
- Equality, Non Discrimination, Transparency
- Profiting from economies of scale
- Tailoring services to fit customer needs more closely
- Simplifying purchasing processes
- Keeping within the financial framework
- Working in accordance with Thanet's key aims and objectives

**... .. working to achieve best value for Thanet**

## FRAMEWORK FOR PROCUREMENT

The Council already has a range of policies, standards and visions that although not specifically referenced to procurement, should be considered in any decision to purchase goods or services, these would include the Council's Branding, obligations under Freedom of Information Act 2000, Equality/Diversity and Service Standards etc. and we will expect all suppliers to contractually commit to these.

- *Best Value* – (Cost, Quality and Efficiency) Thanet is committed to setting rigorous quality standards and the retention of a robust procurement and monitoring procedure to ensure the ongoing delivery of Best Value supplies, services and works from wherever they are sourced. Contracts will not be awarded only on the basis of lowest initial price. There will always be an assessment of quality, benefits and the costs that will be incurred by the Council throughout the life of the asset or contract period.
- *Opportunity* – To provide a means to drive performance by harnessing competition. The procurement of goods and services will use a range of suppliers and will include the private sector, the voluntary sector and community sectors, according to which supplier offers best value. The Council has an open attitude to procurement and explores alternative methods of service delivery.
- *Sustainability* –The Council will aspire to ISO 14001. The Council will be guided by the Government's definition of 'best value' within procurement as: "the optimum combination of whole life costs and benefits to meet the customer's requirement". This approach enables sustainability and quality to be taken into account in awarding contracts. For example, the consideration of whole life costs allows factors such as fuel efficiency and replacement cycles to be taken into account.
- *Encouraging a mixed economy of suppliers* – The Council will encourage a mixed range of suppliers, consultants and local SME's (small and medium enterprises), to help develop a varied and competitive market place (given that Thanet's unemployment is three times the Kent and South East's average) provided that it is consistent with other key procurement policies. Contracts will be assessed against Best Value for Thanet as a whole – social and community costs.
- *Customers and Stakeholders* – We will undertake to listen to the needs of our customers, both in the community and within the authority when purchasing goods and services, and will be transparent and accountable to all our stakeholders.
- *Standards* – The Council requires that all procurement procedures should be operated in a professional manner to ensure the highest standards of probity, openness and accountability. This includes compliance with the Council's Standing Orders, Financial Procedure Rules, Codes of Practice and Member and Officer Code of Conduct. All major procurement should be administered to ensure adherence to relevant UK and EU legislation. Advice may be sought from Legal Services, Audit and the Procurement Code of Practice.
- *Equality and Diversity* – The Council is committed to ensuring that all sections of the community have access to, and benefit from, the services it provides. The Race Relations (amendment) Act 2000 and Disability Discrimination Act 2005 outlaws discrimination, on basis of race/disability, including issues around the procurement of goods and services. The Council recognises and values the diversity of the community, which it serves and will seek to ensure that procurement promotes equality of opportunity for all. The Council will buy with equalities in mind and take account of issues including gender, race, disability, religious or political belief, sexual orientation, age and nationality. This will be achieved through: **Stimulating markets, ensuring that the widest possible range of businesses and suppliers are involved in providing services to the Council; promoting the local economy, giving local businesses opportunities to tender for**

**contracts; promoting good employment practice amongst contractors; ensuring services are delivered fairly and on the basis of defined need.** It will expect suppliers, contractors and those delivering services on behalf of the Council to share these values.

- *Consortiums* – The Council is an active member of the Kent Buying Consortium and actively involved with the South East Regional Centre of Excellence. We will look to develop partnerships and consortium arrangements with both public and private sector organisations.
- *Partnerships* – The Council acknowledges the importance of partnerships in delivering services. It already benefits from a range of partnerships and is committed to exploring all options (with private, public and voluntary organisations) and will seek to foster existing and new partnerships where they will deliver best value and who are committed to uphold Council policy standards i.e. Health & Safety, Equality, Code of Conduct, in order to provide the quality services required for now and the future.
- *Workforce Issues and Staff Involvement* – Staff will be consulted at all relevant stages of a procurement project and particularly in situations that may give rise to a transfer of staff. Any procurement that potentially involves the transfer of staff who are currently employed by the Council shall comply with the Code of Practice on Workforce Matters in Local Authority Service Contracts issued by the Office of the Deputy Prime Minister.
- *Management of Contracts* –The Council recognises that effective project management of contracts is essential to achieve the completion of service delivery on time, within budget and in accordance with the specification. All major procurement (contracts with a value of over £100,000) should be managed as structured projects. (See also Contract Register). The Council is promoting the development of Project Management skills as part of the competencies required within the Thanet Manager programme. This also includes how to develop business cases and understanding the wider context of Local Authorities.
- *Risk Management* – The Council has a Risk Management Strategy (February 2006). The development, maintenance and implementation of Risk Management is the responsibility of the Corporate Risk Management Group and is chaired by the Corporate Director (Finance).

## **E-PROCUREMENT**

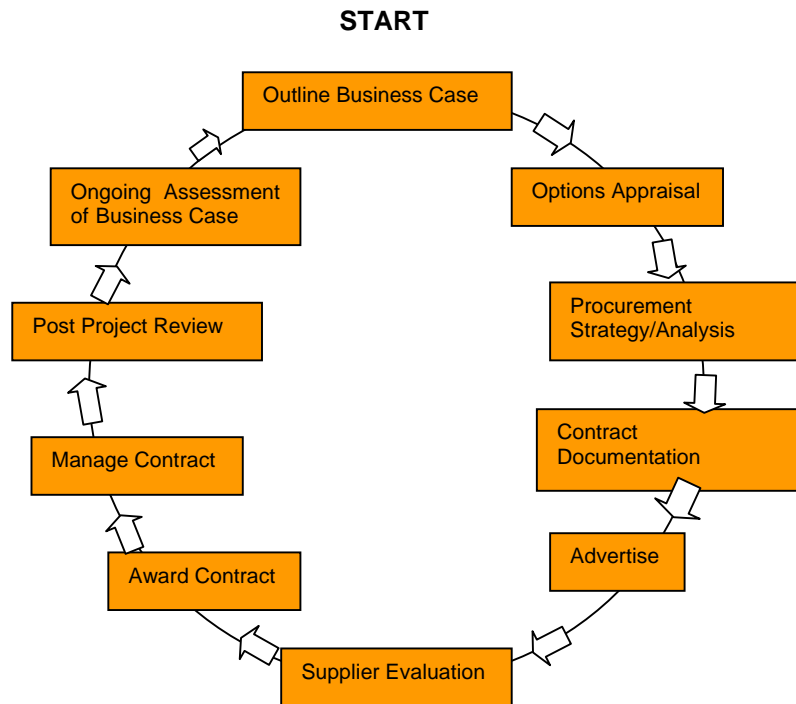
The e-procurement objective is: “To achieve efficiencies in the procure-to-pay cycle including reduction in cycle time and reduction in transaction costs. This will free resources that can be directed into front line services”. This can involve e-tendering, e-auctions, e-ordering, e-payments and purchasing cards, where appropriate.

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Advancement in technology is eliminating unnecessary cost from the procurement process and releasing resources to be utilised more efficiently elsewhere. E-procurement allows authorities to work collaboratively to achieve economies of scale and shared expertise and knowledge. The Council is an active member of the Cedar Special Interest Group (Local Government), a collaborative of Local Authorities working in conjunction with the supplier, Cedar Open Accounts to develop financial and procurement software systems to meet the Council's requirements. The Council is also an active member of Kent Buying Consortium and actively involved with the Regional Centre of Excellence, which is currently undertaking to develop a Regional procurement portal. The Council is committed to extending the use of e-procurement initiatives across the authority as part of defining the future of procurement in Thanet to support the delivery of effective procurement and achieve efficiencies. Where business cases justify, these initiatives will be actively pursued and key areas have been identified within the action plan.

Figure 2 - Understanding the Procurement Cycle

## The Procurement Cycle

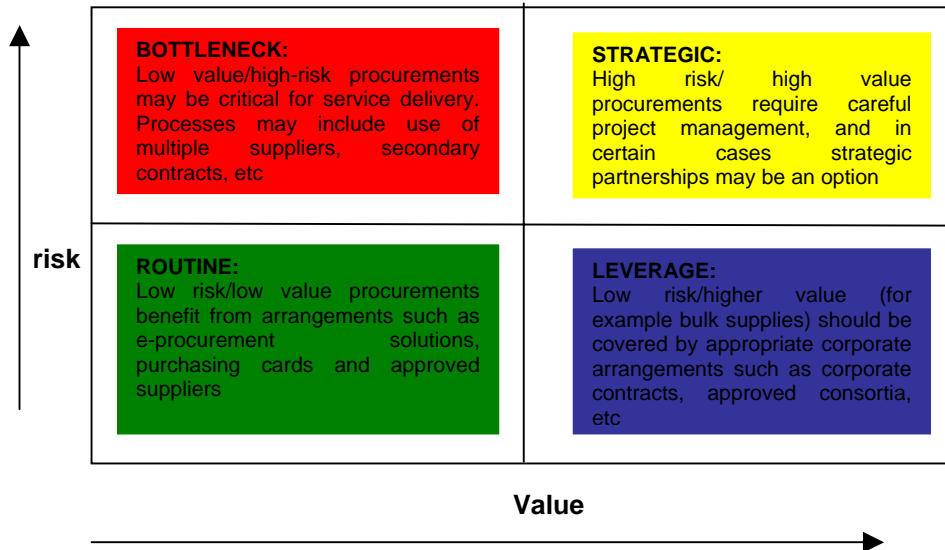


## PROCUREMENT ANALYSIS

The choice of procurement method will be dependent on the strategic importance, the value of the goods, services or works, and the potential risk associated with each procurement option. Different procurement options will be suitable for different goods and services and will involve undertaking different practical steps to achieve the desired outcome. The Council will develop strategic management of procurement by modelling its requirement on a risk/value matrix, illustrated below figure 3. Equally individual procurement decisions should also be considered on their own merits following an appraisal of the suitable procurement options. It is important that the option selected is the one most likely to deliver Value for Money for the Council and its citizens, and tenders should thus be evaluated using a balanced scorecard evaluation model.

Figure 3 - Illustrates the possible procurement options available:

## Procurement Analysis



## KEY CONSIDERATIONS

- Establish the value of the contract/purchase early in your decision – this will dictate your timescales and procurement path. Lack of time and inadequate preparation are the main enemies of effective purchasing. Think ahead.
- Never attempt to split contracts simply to avoid compliance with rules or legislation concerning value, this would not only be bad practice, but is illegal.
- Carry out procurement analysis (see figure 3) to identify strategic procurement option.
- Calculate the monetary value of your proposed contract/purchase and check that you are complying with Contract Procedure Rules and UK Law and the European Union Procurement Directives (Refer to Contract Procedure Rules).
- Evaluate risks.
- Research the market and ensure you are open to competition.
- Consider opportunities for collaborative procurement and partnership working.
- Check corporate protocols (See Procurement Code of Practice).
- Define what you want – the “5 Rights” (See figure 4).
- Understand the contract issues e.g. finance, health and safety, bonds, liquidated damages, guarantees etc.
- Ensure due consideration is given within contract/contract management to the delivery of Council corporate standards, strategies and legal obligations i.e. Branding, Service Standards, Equality & Diversity issues (See Corporate Equality Policy) etc.
- Set out what your award criteria will be, ensuring you include whole life issues in your consideration and where appropriate include performance indicators and performance monitoring within the contract terms to achieve continuous improvement within the life of the contract, in order to gain best value for Thanet - you must be able to justify your choice of supplier!

Figure 4-The “5” Rights

**Do**

**Do Not**

*Right Product (or Service)*

▪ Consult with the user	▪ Use brand names without good reason
▪ Identify actual performance requirements	▪ Make it more complicated than necessary
▪ Decide upon an exact and concise description of your needs	▪ Be vague – if you don’t know, find out

*Right Place*

▪ Identify precisely where goods, services or works are required	▪ Assume the market knows local conditions
▪ Make sure the site is accessible	▪ Hide the delivery implications

*Right Price*

▪ Know the market – through wide research	▪ Ignore the vast range of possible competitors
▪ Know how the product/service you want is priced	▪ Forget the basic price may not be the end of the story
▪ Be willing to ask for better prices	▪ Assume that ‘big is beautiful’
▪ Know how much you can spend	▪ Mislead possible suppliers about how much you are going to spend
▪ Be aware of the economies of scale	

**Do**

**Do Not**

*Right Time*

▪ Know when you want things	▪ Impose unnecessary timescales
▪ Know timescales and lead times involved in getting them	▪ Leave too little time to complete a proper exercise
▪ Identify precisely when goods, services or works are required	
▪ Give yourself enough time to do it right	

*Right Quality*

▪ Match relevant quality standards to true performance requirements	▪ Use proprietary names or specify brands without good reason
▪ Build in performance criteria and continuous improvement	▪ Specify a higher quality than you really require
▪ Think about specifying outputs rather than inputs	▪ Ignore what needs to be achieved in favour of describing the task
▪ Use recognised standards where available*	▪ Forget to monitor the output

\* These include, CEN (European Committee for Standardisation), ISO (International Standards Organisation), BS (British Standards) etc. E.U Procurement Directives require the use of UK standards implementing European standards, common technical specifications or European technical approvals – where these are available.

## **LEADERSHIP AND BUILDING CAPACITY**

The Cabinet Member for Customer Services, IT and E-Government and the Corporate Director provide the senior level sponsorship for Corporate Procurement and this Strategy.

Chaired by the Head of Customer Services, the Strategic Procurement Group, as stated within the group's terms of reference "Oversees the implementation of Thanet District Council's Procurement Strategy and Action Plan". The induction programme for all individual officers will include a copy of the "Procurement Strategy" ensuring that everyone has an understanding of the requirements when dealing with "public money".

The Council recognises that there is a need to continue to develop and extend procurement skills and embed best practice throughout the authority. Officers with responsibility for procurement have been identified and are to be offered formal training to build procurement professionalism. Officers whose main role is not procurement, but who are involved in Procurement, are being identified to undertake the "Passport to Procurement", by way of e-learning software. Also, to assist with embedding best practice across the Authority a programme of "Procurement awareness" is scheduled, including presentations at the internal Managers' Conference, to be followed by presentation to all staff as part of staff development sessions.

The National Procurement Strategy requires smaller councils to consider creating a focal point and co-ordinating procurement across the Council. The work that is being carried out with Kent Buying Consortium (KBC) and the Centre of Excellence, coupled with the Council's internal capacity building programme, will help create this focal point giving more co-ordination across the Authority.

As part of the ongoing procurement review consideration will be given to employing or having access to trained procurement professionals e.g. CIPS (Chartered Institute of Purchasing and Supply).

## **PROCUREMENT REGISTER**

For contracts of £30,000 or more in value, a procurement register will be maintained by the Corporate Procurement Unit to enable regular monitoring of renewal dates and issue notification to enable departments to be proactive in researching the marketplace. Information on contracts that have more than a £30,000 total value will be held here.

A priority for 2006 and 2007 will be to develop an active programme of specific procurement reviews. This will take, as a starting point, the current Corporate Procurement Register and identify the major procurement projects and decisions necessary for 2006/07 and 2007/08 and ensure that the implications of contract renewal are clearly identified as part of both the Budget and Service Planning process for 2007/08. These projects will form the core of the procurement Action Plan which will accompany this strategy and will also provide the core of a review-based programme using efficiency and Best Value techniques. Members will be involved in these reviews at appropriate stages and consultation with the public and service users will also need to be carefully planned.

By the end of 2007 it is envisaged that the Council will have completed a number of significant Procurement Review projects, which will embed the principles outlined in the Strategy.

## CONTINUOUS IMPROVEMENT – ACTION PLAN

The authority is currently reviewing how its Procurement function will look over the next three to five years. A focussed action plan has been developed to implement this strategy, and will be monitored and updated in response to internal and external change – Updated and reviewed August 2006.

<b>Action Plan</b>				
<b><u>Action</u></b>	<b><u>Identified Responsible Stakeholders</u></b>	<b><u>Date</u></b>	<b><u>Efficiency Potential</u></b>	
			Cashable H/M/L	Non-Cashable H/M/L
<b><u>Embedding and Engagement</u></b>				
Implement a programme that ensures all service manager teams are aware and understand the importance of procurement in delivering their service. Engage with members in raising their awareness of procurement best practice.	Corporate Procurement/ Improvement & Performance/ Service Managers	2006/2007		M
<b><u>Procurement Register</u></b>				
Identify programme of High Risk/High Value (Strategic Critical Procurement) spend that is to be carried out 2007/2008.	Strategic Procurement Group/Service Development Board/Service Managers	Jan 2007	L-M	H
<b><u>Standardisation</u></b>				
Align contract processes including contract documentation to the ensure best practice, delivery of Value for Money and reflecting Council Standards, Policies, Strategies and meeting our Legal obligation.	Strategic Procurement Group/Corporate Procurement/ Improvement & Performance/ Resources	April 2007	L	M
<b><u>Systems, automation and financial control</u></b>				
Continue to actively progress integration of current and advancing technologies to support and streamline internal processes, procedures and controls.	Strategic Procurement Group/Service Development Board/ Customer Services/ Resources	2006-2008	L-M	H
<b><u>Partnering, Collaboration and Supplier Adoption</u></b>				
Continue with the Council's, highly profiled, level of external activity which includes: collaboration, knowledge sharing and supplier engagement	Corporate Procurement/ Improvement & Performance/ Resources	2006-2009	M	M