

P r o c u r e m e n t



Strategy 2005 - 2008

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1. PREFACE

Procurement at West Wiltshire is approached in an innovative manner in order to achieve the most appropriate purchasing solutions. All Procurement approaches are considered covering in-house, outsourcing, traditional, partnering and PFI. All with the overall aim of achieving Value for Money for the Council.

The Strategy sets out best practice sound principles and provides a procurement framework for all staff, members, partners and suppliers to support the delivery of the Corporate Plan.

The Strategy aims to provide a clear, practical, relevant and useful framework for procurement at all levels throughout the Council. This is linked to the Council's priorities and underlying principles integrating these within established practices to ensure value for money is achieved.

The Strategy does not provide detailed guidance regarding procurement, but will assess current practices and action plan areas for future development. The document is a statement of intention and conveys the action to be taken over the next three years.

It is intended to update the strategy annually, to reflect organisational changes, developments in procurement practice and links with other strategies.

Implementation will be co-ordinated by the Procurement Group working closely with the Corporate Management Team and Members.

The quality control mechanisms will be monitored against pre-determined targets detailed under Performance.

2. PURPOSE

Definition

Procurement is the process of acquiring goods, works and services from suppliers. This covers the whole cycle from the identification of needs through to the end of a service contract or the end of the useful life of an asset. Everything from 'paperclips to PFI'.

Importantly it includes the critical option appraisal stage (the 'make or buy' decision). In the context of Best Value this might involve choosing a new model of service delivery.

Importance

This has increased due to:

- the level of external national spend is running at over £40billion
- the modernisation agenda linked to best value and CPA
- integrated public services
- significant growth in partnership working

Essentials

The approach includes:

- Corporate arrangements - creating the capacity and capability for success
- Process - built around the procurement cycle, structured approach to project and risk management and legal requirements
- Contract Management - planned in advance, ensuring benefits are delivered, continuous improvement and sound relationships with suppliers.

3. PROGRESS

National Strategy

Sir Ian Byatt published a review of local government procurement in 2001, the results of which provide the basis for the National Procurement Strategy (NPS).

The report highlighted the need for authorities to widen their horizons, by taking a corporate view of procurement issues and move away from an emphasis on short-term savings and towards a vision that facilitates corporate objectives and broader objectives such as economic and social regeneration.

The National Procurement Strategy communicates the procurement principles to be developed as well as up to date information on the current procurement activities of the Council and future developments to be actioned.

The ODPM and the LGA published the National Procurement Strategy in 2003 and nine regionally based Centres of Procurement Excellence have been set up to provide advice, support and resources to authorities to assist implementation. Dorset County Council hosts the South-West Centre and is at the initial stages of its work.

Gershon

Sir Peter Gershon's efficiency review of National and Local Government (requested by the Treasury) has indicated that efficiency savings of 2.5% will be expected from all departments over the next three years. The review has been conducted over the following five workstreams:

- a. Procurement of goods and services – looking to aggregate demand and force supplier prices down.
- b. Procurement of construction and properties – evaluating collaborative arrangements and strategic partnerships with the public and private sectors.
- c. Back Office – understanding the potential to aggregate support services such as Finance, HR, ICT etc and improve quality and savings.
- d. Transaction Services – exploring the efficiencies to be gained from aggregating the collection of council tax and administering benefit payments, as well as E-Procurement possibilities.
- e. Productive Time – evaluating productivity through process mapping and job redesign.

Councils now need to implement these outcomes, with the support of the Centres of Excellence, in order to release savings, improve services and avoid significant council tax increases. The likely targets and key dates are set out in **Appendix One**.

The Council has a Procurement Policy but recent changes to the Council's priorities, organisational structure, the launch of the National Procurement Strategy and the Gershon Review, have all contributed to the need for a Procurement Strategy that will drive procurement forward within the organisation, according to best practice.

CPA

The Council underwent an inspection in January 2004 and was rated as 'fair' with the capacity to build on recent service improvements.

'Financial management is a strength, ***but further work is needed to develop a corporate approach to procurement*** and embed risk management throughout the organisation.'

'Alternative procurement options have not been assessed routinely for the purchase of goods and services. The lack of action in this area limits the opportunities for greater service efficiency and improved services for customers.'

Where we are now

The Council currently has policies and procedures in place that help to guide purchasing:

- Financial Procedure Rules – a framework for managing the authority's financial affairs, including budgets, orders and authorised signatory guidance.
- Contract Procedure Rules – these rules apply to the purchase and sale of goods and services.
- Finance Factsheets – guidance on a variety of Finance related subjects, including Procurement.
- Medium Term Financial Plan – the MTFP provides the financial framework for the delivery of the Corporate Plan and will guide where limited resources are to be focused.

We have also initiated individual actions that demonstrate innovation and success:

- Our bid to enter into a Private Finance Initiative to build 400 affordable new homes has been successful and we are now producing our Outline Business Case.
- We have centralised the ordering of our stationery supplies and now order less regularly and with one supplier, achieving economies of scale and reducing administrative costs.
- The Sustainable Purchasing Group role has been included within the new Procurement Group.
- A number of the Council's services have been contracted out to the private sector in order to improve service provision and value for money:
 - Housing LSVT
 - Refuse Collection

- Leisure
- ICT
- Internal Audit
- Grounds Maintenance
- Public Conveniences

The Council has also retained or returned some services in house in order to achieve the best service provision e.g. Homelessness.

The Council will not be taking advantage of the new trading powers as this does not justify the additional capacity and resources required to review and implement.

The Council is not directly involved in any major construction and does not intend to address the specific requirements of such work within this strategy.

Where we want to be

- Gershon's efficiency savings targets are met through efficient and innovative work practices and partnership working.
- Recommendations from the IdeA Procurement Fitness Health check are reviewed and implemented where appropriate.
- Contracts are managed and renewed strategically using sound procurement principles (4 P's guidance).
- Projects and large procurements are managed effectively through established project management methodology.
- E-procurement targets are met, improving customer service and efficient work practices.
- National Procurement Strategy requirements addressed.
- E-procurement tools evaluated and implemented where appropriate.

4. PROFILE

4.1 History

The Council has always adopted an innovative approach to procurement regularly looking and reviewing the way we do things to determine the best way to deliver services.

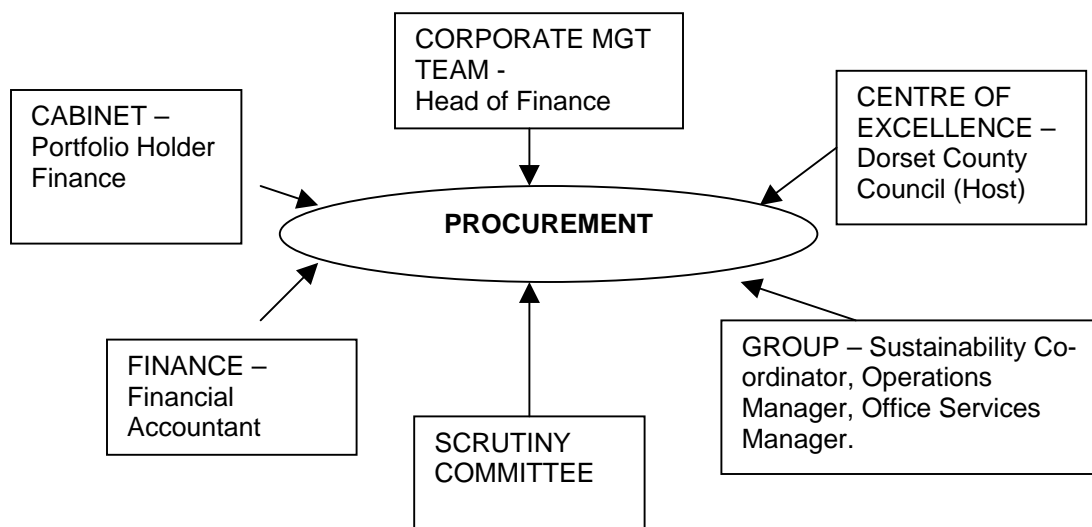
This has resulted in a number of services being procured from external suppliers, in some cases we are in the second or third time term of external supply. A summary of the main contracts is given below:

CONTRACT	Expiry Date	Annual Value
Leisure	31 March 2011	> £1 million
Refuse Collection	3 February 2007	> £1 million
ICT	30 September 2007	£250,000 - £500,000
Insurance	31 October 2006	£250,000 - £500,000
Public Conveniences	31 December 2009	£250,000 - £500,000
Grounds Maintenance	31 December 2005	£250,000 - £500,000
Kerbside Recycling		£100,000 - £250,000
Household Recycling Centres	7 July 2016	£50,000 - £100,000
Internal Audit	31 March 2007	£50,000 - £100,000

This shows expenditure of £4.8m (39% of net revenue) is now locked into external contracts which when taken with the LSVT of housing stock completed in March 2001 gives West Wiltshire significantly different procurement profile from other District Councils.

4.2 Leadership

In order that procurement is effective there must be clear roles and responsibilities. These are presented diagrammatically below:



Executive Role

The Council has recognised the strategic importance of procurement and the Finance and Performance Portfolio Holder supported by the Head of Finance has specific responsibilities for the area.

The role covers:

- reviews of procurement
- monitor performance
- ensure VFM and risk management
- check links to the Corporate Plan
- oversee arrangements for procurement and contract management

The Council itself further support the role.

Scrutiny

Scrutiny has a proactive role in improving the robustness of the procurement strategy and will consider:

- Objectives and level of resources
- Performance indicators and reporting
- Review progress of major projects
- Review areas of high spend to improve VFM

Procurement Group

The Council has established a group to implement monitor and review procurement across the council. The group is supported by the sustainability co-ordinator, facilities manager, service managers and financial accountant. There are clear links to the executive role through the Portfolio Holder and Head of Finance.

The role covers:

- specialist advice
- e-procurement
- co-ordinate training
- tender evaluation/selection
- monitoring information on significant procurement
- provision of procurement information to members and officers

Devolved procurement

Service Managers are responsible for the procurement contracts in their service area supported by the Procurement Group.

The role covers:

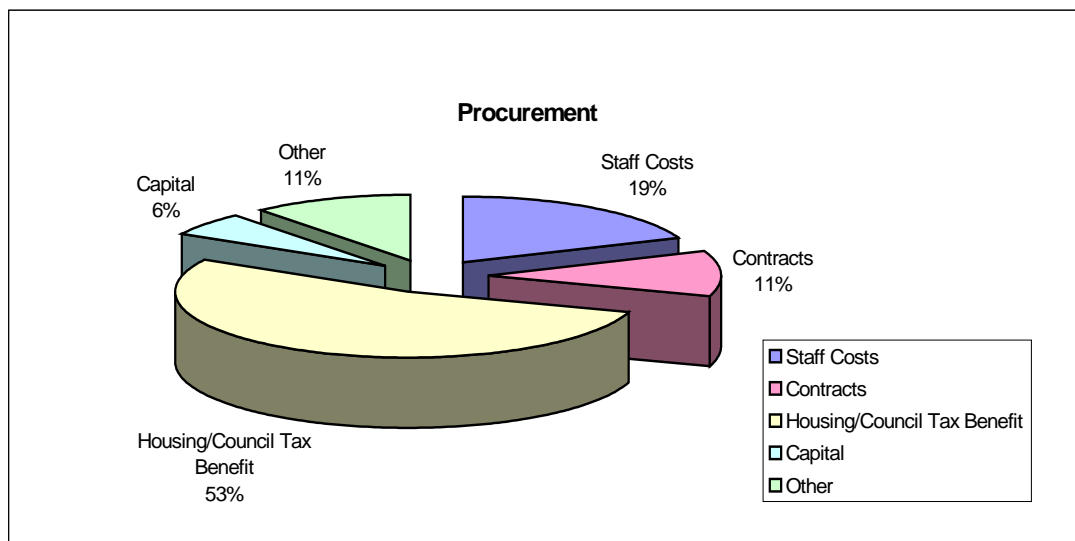
- getting the best solutions
- managing contracts in accordance with agreed performance criteria
- identifying opportunities for alternative provision
- ensuring best value
- developing partnership roles

4.3 Spend

The total gross expenditure of the Council for 2005/06 is approximately £46m made up of revenue £43m covering day to day operating costs and Capital £3m for major projects.

Revenue

On the revenue side a significant amount is reimbursed through government subsidy (£25m) with other contributions from fees and charges giving a net revenue budget of around £12m. An analysis of the total expenditure is given below over the main headings.



As can be seen from the chart above a large part of the of the Council's gross revenue expenditure relates to salaries, contracts and housing and council tax benefits. This leaves around £5m, 11% relating to other general expenditure, which is itemised in the table below:

Description	£k		Procure savings
Grants and Partnerships	965	Contributions and grants	X
Transport	466	Fuel, maintenance, insurance	✓
Professional Fees	421	Fees and consultancy	X
Treasury	419	Debt management expenses	✓
Repairs and Maintenance	377	Also fixtures and fittings etc	✓
Travel Concessions	316	Bus passes, rail warrants etc	X
Rates	265	Council's own rates bill	X
IT	260	Computer soft/hardware	✓
Equipment and Materials	245	Grounds, building materials etc	✓
Telephones and Postage	221		✓
Members Costs	219	Allowances and expenses	X
Training	194	Staff training costs	X
Utilities	181	Water, electricity etc	✓
Rents	164	Rents for properties used	✓
Advertising	55	Building control, planning etc	✓
Other – non procurement type expenditure	647	Including TIC goods, elections, contingency	✓
TOTAL	5,415		

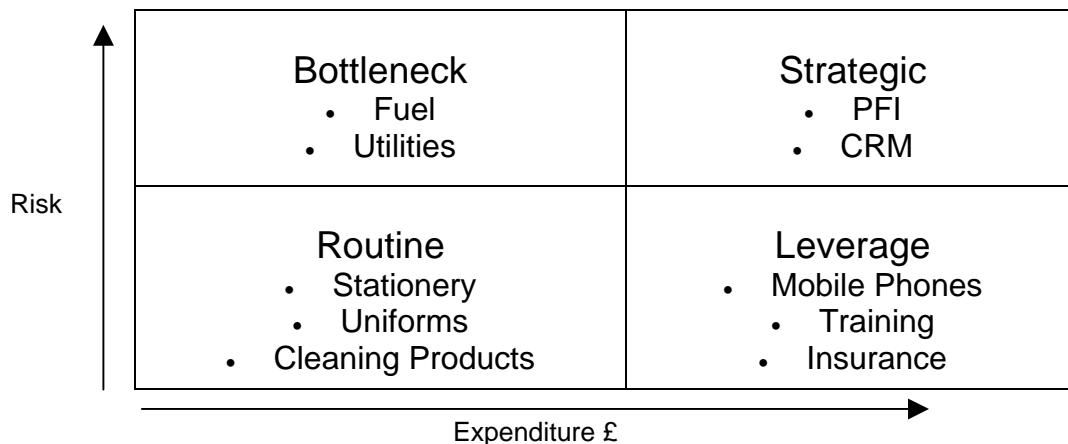
Capital

Capital by its nature tends to be one off specific project related expenditure. The approved capital programme stands at £4.4m gross for 2005/06 with expenditure for future years planned at around £3.0m gross. The Capital Strategy provides the framework to support capital expenditure and asset investment. Specific guidance is being developed for this type of procurement.

Procurement Path

As part of its Procurement Strategy the Council has undertaken a high level procurement portfolio analysis and mapped the findings in the matrix below. This will be reviewed in detail by the Procurement Group later in the year.

Portfolio Analysis – mapping the Council's procurement spend



The mapping exercise determines the appropriate procurement path:

Routine

Unlikely to adversely effect the Council. Seek to enter authority wide contracts for the supply of goods or services where there are economic and efficiency benefits. Consideration will be given to both:

- Potential for consortia or partnering arrangements
- Value for money and competition that small local firms can offer

Strategic

High dependency on the supplier, need senior management and member attention. Decisions are triggered through the following means:

- Annually through the service and budget planning process
- In preparation for the expiry of a contract
- Any new opportunities which arise
- Following a Best value or other review
- As a matter of urgency if a contract or service is failing or costs are rising

Bottleneck

Problems will have a major impact on service delivery, need strategic security

Leverage

Usually purchases common to many departments, potential to achieve better value through co-ordination.

The procurement Group will advise the service manager of the appropriate procurement approach. Major strategic procurement will utilise the Council's project management process and will include appropriate gateway reviews and post-completion evaluation.

5. PRIORITIES

The Corporate Plan, which incorporates the CPA Improvement Plan was adopted in November 2004, and set out what we need to do to tackle the challenges ahead.

5.1 Council's Priorities – In the Spotlight for Improvement

In order to understand the objectives of the Procurement Strategy, it is essential to consider the Council's Priorities, communicated in the Corporate Plan:

- *Improve Development Control*
- *More Affordable Housing*
- *Put Customers First*
- *Recycle More Waste*
- *Better Access to Recreation*
- *Improve Our Market Towns*

5.2 Underlying Principles – Getting the Job Done

In order to ensure the Council's Priorities are delivered effectively, the Corporate Plan outlines Underlying Principles that should be embedded throughout the organisation:

- *Sound Financial Management*
- *A Focus on Priorities*
- *Strong Community Leadership*
- *Efficient and Effective Service*
- *Valued and Well Supported Staff*
- *A Well Planned Approach*
- *Accessible Democratic Decision-making*
- *High Quality Communication with the Public*

The Procurement Strategy meets many of the above principles and is therefore one of the tools used to embed the principles in everyday practices.

5.3 Links to other strategies

The key strategies specifically linked to Procurement are as follows:

Community Strategy

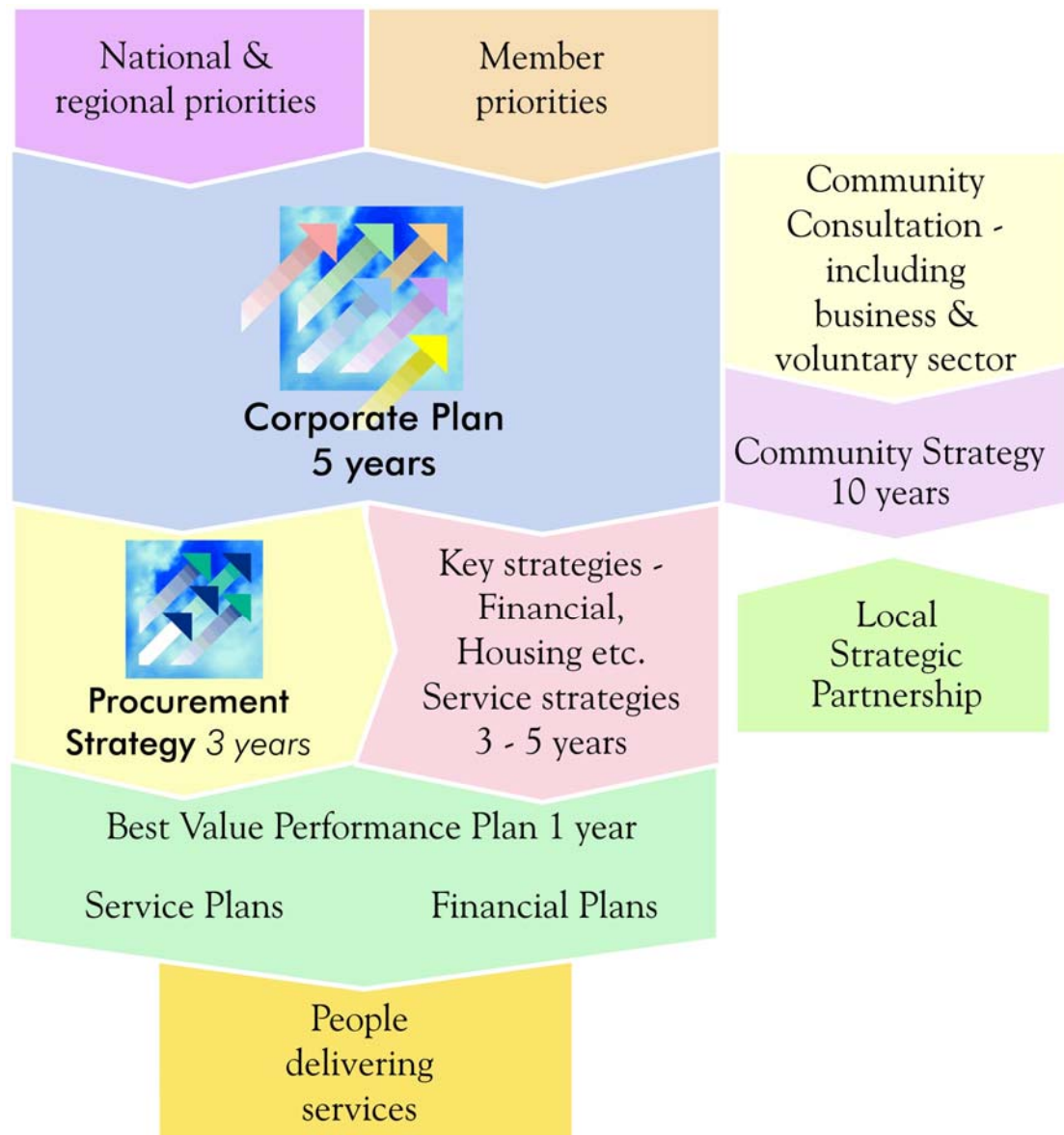
[Risk Management Strategy](#)

E-Government (incorporating e-procurement)

[Capital Strategy](#)

Local Strategic Partnership

The diagram below demonstrates corporately the links to other strategies and plans.



6. PRINCIPLES

The categories below describe the principles that will be upheld in achieving the Council's procurement objectives. The main links for each principle to the Council's Priorities and Underlying Principles are also stated.

6.1 **Contract Management**

The Contract Procedures Rules provide the framework for the contract tendering process and these will be integrated into more detailed contract management guidance. The Contracts Register will be maintained and accessible to all officers so that the renewal of contracts can be managed in a timely and organised manner. *(Recycle More Waste/A Well Planned Approach)*

6.2 **Risk Management**

At the outset of a significant procurement, a risk assessment will be conducted in order to identify the main risks that may prevent the process proceeding successfully. Actions will be agreed to mitigate the risks identified. *(More Affordable Housing/Efficient and Effective Service)*

6.3 **Skills and Knowledge**

The Procurement Group will be established in order to drive procurement procedures and training forward. The remit of the group will be to ensure that the skills and knowledge are in place throughout the Council to ensure effective purchasing occurs at all levels and in all service areas. *(Put Customers First/Valued and Well Supported Staff)*

6.4 **Economic Development**

Where appropriate procurements will aim to benefit the local economy wherever possible. Understanding the local supplier market and communicating the options available to purchasers will help to direct appropriate business locally. *(Improve our Market Towns/Strong Community Leadership)*

6.5 **Sustainability**

We will aim to minimise the negative social and environmental impacts associated with the products and services we purchase and we will work with our suppliers to do the same. *(Recycle More Waste/Strong Community Leadership)*

6.6 **Best Practice**

Corporate arrangements will be established to ensure successful procurement, contract management and supplier relationships. A procurement process will be developed (Figure 1 below) to encourage a structured approach to the procurement cycle, with opportunities for review at each stage in the cycle, referred to as Gateway review. *(Put Customers First/A Well Planned Approach)*

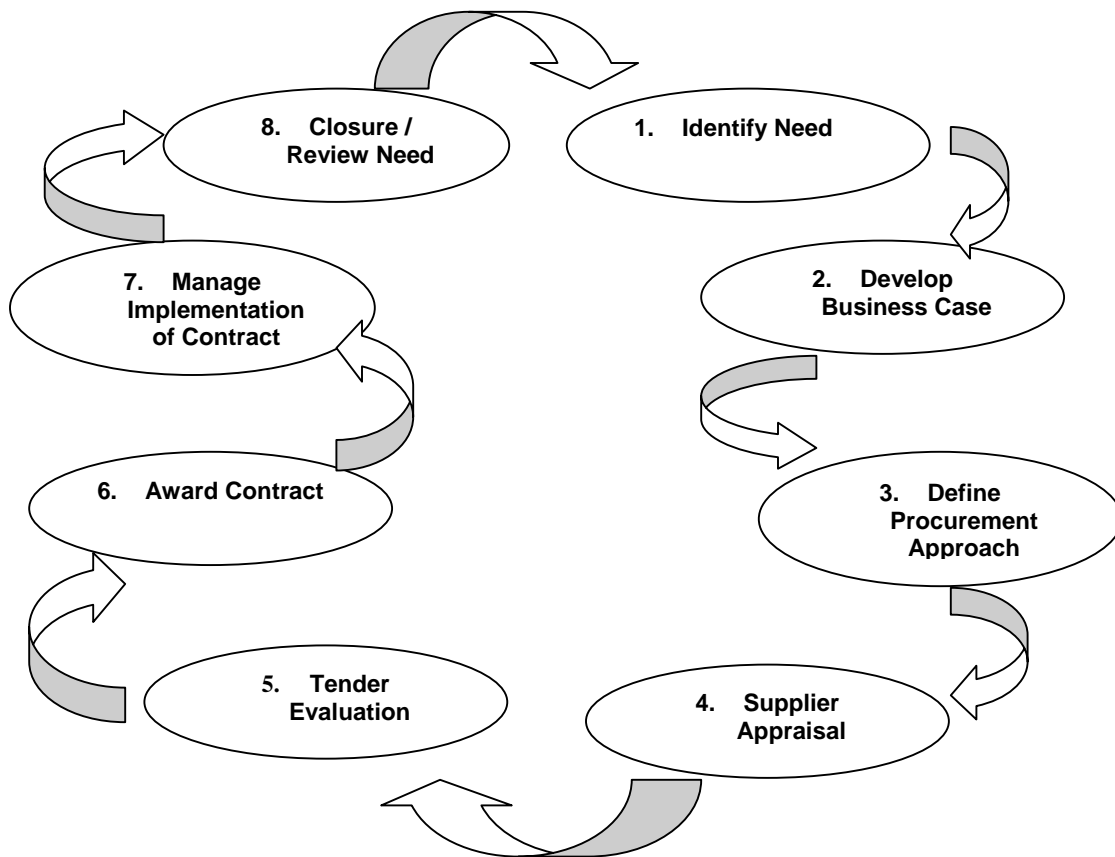


Figure 1: Procurement Cycle

6.7 Partnering

Work is already progressing at a regional level on procurement and opportunities to work with neighbouring authorities and the private sector are being explored as they arise. *(More Affordable Housing/ Efficient and Effective Service)*

6.8 E Procurement

The E Government Working Group meets regularly to drive forward E Procurement requirements that must be achieved by the Council by the end of 2005. *(Put Customers First/Efficient and Effective Service)*

6.9 Value for Money

The aim at West Wiltshire is to achieve *value for money* when evaluating options to meet any procurement needs. The focus is also on qualitative means of evaluating these options and all procurement approaches will be given equal consideration. This is the one of the key principles that must be adhered to in order to deliver Community benefits. *(More Affordable Housing/Efficient and Effective Service)*

7. PLAN

In order to build an action plan that helps us to achieve best practice and value for money, we must look at what we currently do well and also the corporate arrangements that will facilitate further progress.

Contract Management	Responsibility	Date
Contracts Register updated, maintained available for officers and members	<i>Financial Accountant</i>	30 Sep 2005
Contract Procedure Rules reviewed for best practice and integrated into broader guidelines for contract management.	<i>Procurement Group</i>	31 Oct 2005
Risk Management		
Risk Assessment developed for not achieving a procurement's objectives to ensure all risks considered and planned	<i>Financial Accountant</i>	31 Mar 2005
Skills and Knowledge		
Procurement Group to meet regularly.	<i>Procurement Group</i>	Ongoing
Skills audit conducted and training provided for officers and members.	<i>Procurement Group</i>	30 Nov 2005
Economic Development		
Promote Businesses within Wiltshire through the supplier database www.buywiltshire.co.uk .	<i>Economic Development</i>	Ongoing
Local food producers supported and promoted through membership of Wiltshire Local Foodlinks Partnership.	<i>Economic Development</i>	Ongoing
Work with West Wiltshire Economic Partnership to support local businesses	<i>Economic Development</i>	Ongoing
Sustainability		
Sustainability Co-ordinator member of Procurement Group	<i>Procurement Group</i>	Ongoing
Supplier 'sustainable practices' questionnaire integrated in procedures	<i>Procurement Group</i>	31 July 2005
Evaluate key purchases in line with the supplier questionnaire	<i>Procurement Group</i>	Ongoing
Aim to be an exemplary organisation in terms of its own waste management	<i>Sustainable Waste Group</i>	Ongoing
Promote equality of opportunity for all suppliers to ensure equal access and treatment applied to all Organisations wishing to provide services to the council	<i>All Officers</i>	Ongoing
Best Practice		
Procedures for officers established detailing guidance for all stages of the procurement cycle.	<i>Procurement Group</i>	31 Oct 2005
Annual report produced for Corporate Management Team and Scrutiny to	<i>Procurement Group</i>	30 Sep 2006

assess progress with these actions		
Partnering		
Attend Regional procurement meetings use Local Strategic Partnership to promote 'partnering and collaboration'	<i>Chief Executive/Head of Finance</i>	Ongoing
E Procurement		
Assess appropriate e-procurement solutions that will meet our E-Government targets	<i>E-Government Working Group</i>	Ongoing
Evaluate options available to facilitate a wider variety of customer payments to be made electronically	<i>Finance</i>	30 Nov 2005

The above actions will be led by the designated officers or groups. The Procurement Group will be responsible for maintaining an overview of the actions and ensuring target dates are met and progress is made.

A time chart illustrating the above is set out in **Appendix Two**.

8. PERFORMANCE

This will be monitored in accordance with the indicators detailed below:

Strategy	Actual	Target
Strategy implementation Percentage of milestone activities completed in the National Procurement Strategy for Local Government (2004/2005 targets)	44%	100%
Aggregation 1 Percentage of corporate spend aggregated through corporate framework agreements and corporate contracts	11%	??
Sustainable procurement Percentage of framework agreements and contracts awarded following best practice on sustainable procurement	12%	100%

Purchasing	Actual	Target
Average minimum cost of raising an order Total cost of the process from requisition to payment	£3.13	£2.50
Average invoice value Corporate spend divided by total number of invoices	£1,172.96	??
Average spend per supplier Corporate spend divided by the total number of suppliers	£9,197.67	??
Percentage of invoices received electronically	0%	20%
Percentage of orders raised electronically	13%	25%
Percentage of invoices paid electronically e.g. through BACS (Commercial Supplies)	35%	50%

Gershon - Delivering Efficiency in Local Services

In November 2004, HM Government released 'Delivering Efficiency in Local Services'. This information pack was issued to Leaders and Chief Executives and aimed to provide the detail behind the Chancellor's announcement that efficiency gains of 2.5% per annum were to be achieved by Local Government, with the aim to release at least £6.45 billion by 2007/08.

Local targets were issued to each Council. West Wiltshire is required to make savings of £1.02m over the 3 years 2005/06, 2006/07 and 2007/08.

An additional concession was made allowing Councils to count backward looking 2004/05 savings towards the target.

The chart below outlines the key dates:

January 2005	Guidance in the form of an Efficiency Technical Note (ETN) for local government was issued by ODPM.
10 March 2005	Each Council notified of individual target - £1.02m for West Wiltshire.
15 April 2005	Submission of the forward looking part of the Annual Efficiency Statement for the year 2005-06 - £447k.
May 2005	ODPM issued further guidance on the backward-looking AES – 'measuring efficiency gains'.
15 June 2005	Submission of the backward looking part of the Annual Efficiency Statement for the year 2004/05 - £399k.
14 April 2006	Local authorities will need to submit the forward looking part of the Annual Efficiency Statement for the year 2006/07
16 June 2006	Local authorities will need to submit the backward looking part of the Annual Efficiency Statement for the year 2005/06

Action Plan Time Chart



NOTE: On going projects denoted by - - - - - →

Procurement Milestones

Councils are required to meet Procurement Milestones over the course of three years. Below is a summary of the Council's performance against these milestones. Green text indicates implemented, red indicates to consider.

Themes	By 2004	By 2005	By 2006
Providing Leadership and Building Capacity	<ul style="list-style-type: none"> Corporate Procurement Strategy developed, owned by Chief Executives, members and senior officers. Strategy's implementation regularly measured. 	<ul style="list-style-type: none"> Centres of Excellence involved. 	<ul style="list-style-type: none"> Health checks against National Strategy.
Partnering and Collaboration	<ul style="list-style-type: none"> Approach to partnering in construction and service delivery set out. Approach to collaboration and trading powers set out. Appraisal of service delivery models included in Best Value Reviews. 	<ul style="list-style-type: none"> Average time from OJEU notice to contract award reduced by 10%. Smaller districts collaborating with others for shared services. All council's co-operating regionally via networks of centres of excellence. 	<ul style="list-style-type: none"> Average time from OJEU notice to contract award reduced by 25%.
Doing Business Electronically		<ul style="list-style-type: none"> Appropriate e-Procurement solution implemented. Using government procurement card/equivalent for low value purchases. Progress being measured. 	<ul style="list-style-type: none"> Accessing an appropriate e-market place.
Stimulating Markets and Achieving Community Benefits	<ul style="list-style-type: none"> 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). 	<ul style="list-style-type: none"> Relationship of procurement to community plan addressed. Workforce diversity, equality and sustainability issues addressed. Diverse and competitive supply market encouraged. Sustainability built 	

	<ul style="list-style-type: none"> • 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 voluntary and community sectors. 	<p>into procurement strategy, processes and contracts.</p> <ul style="list-style-type: none"> • Concordat for SME's and voluntary sector compact concluded. • Information Memorandum to prospective bidders included in processes. • Invitation to bidders to demonstrate effective use of supply chain included. • Give bidders option to specify benefits under community plan. 	
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