



Procurement Strategy

2009

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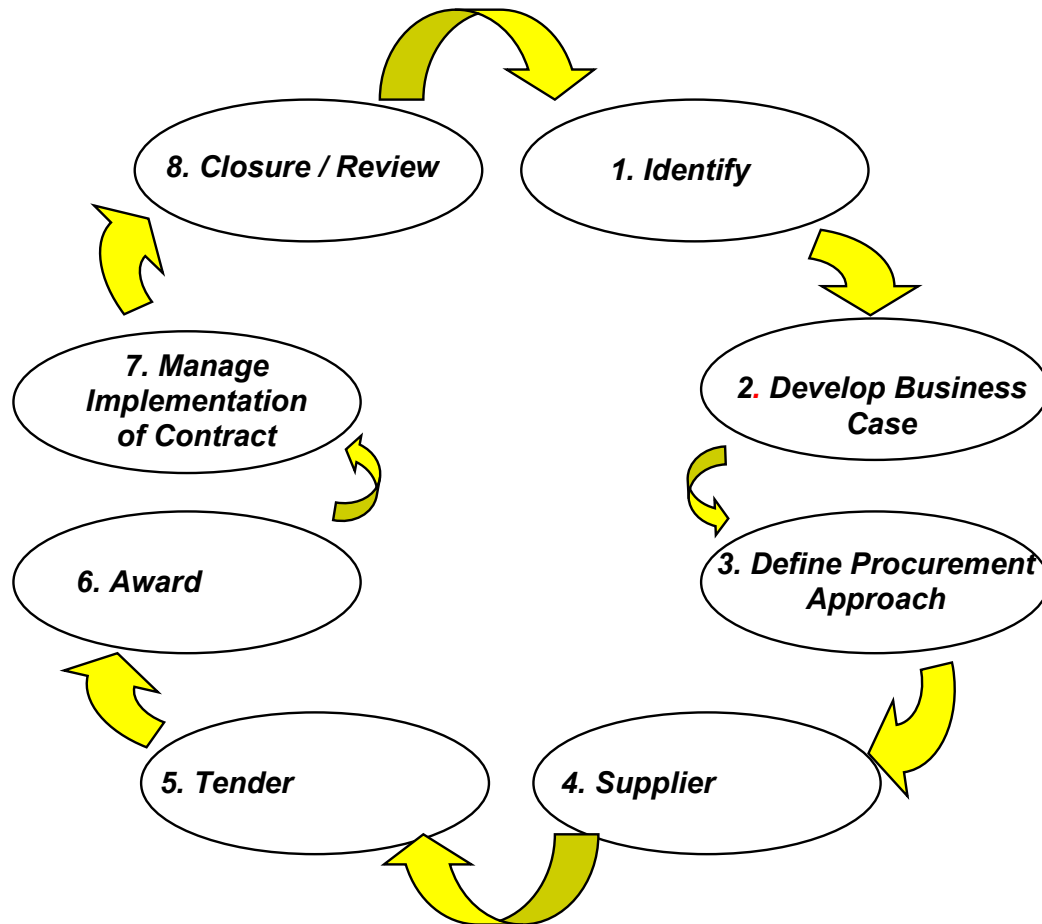
1. INTRODUCTION

1.1 Introduction

- 1.1.1 Herefordshire Council's Corporate Procurement function was created 2 1/2 years ago and has made noticeable progress in raising the professionalism applied to the purchasing of goods and services by the council. The original procurement strategy was written in 2007 and set out the overall ethos, principles and goals relative to all Herefordshire Council's procurement activity. It is now pertinent to update the strategy to reflect the growing importance of sustainable sourcing as a target, not only for Governmental bodies, but also more generally in the commercial world. The revised strategy also sets out the council's approach to supporting local sourcing of goods and services where possible. Equally, after the initial work done in establishing procurement as a central resource, and in raising the prevailing standards of commissioning and contracting work in service areas, it is necessary to delineate the actions required over the next 2 to 3 years to build on that work and progress.
- 1.1.2 For the purpose of this strategy the procurement process is defined as:
- "The whole process of acquisition from third parties and in house providers, covering goods services and works. The process spans the entire life cycle from initial concept and definition of business need to the effective management of markets, through to the end of the useful life of an asset or end of services contract. It involves options appraisals and the critical "make or buy" decision which may result in the provision of services in house in appropriate circumstances".
- 1.1.3 Procurement is more than just the process of buying things. It covers the whole process from the initial identification of a need for a good service, through selecting a supplier or partner, receiving the goods or service, managing a contract, achieving the benefits expected, to finally disposing of an asset or ending a contract.

- 1.14 The Procurement to pay process can be shown as a series of key steps as in the following diagram:-

The Procurement Cycle



- 1.15 Procurement is a critical process for ensuring that the council meets the needs of the community. The public do not distinguish between in-house services and those provided by contractors. Poor procurement can lead to a loss of confidence by the public in our ability to deliver excellent public services.
- 1.16 The Comprehensive Spending Review 2007 (CSR07) set out the government's efficiency agenda for the three financial years 2008/09 to 2010/11. The council's procurement strategy will keep in step with the expectations of this national strategy.
- 1.17 The council must focus on procurement as a major means of reducing the budgetary pressures it will face in the future. This will be managed through the council's transformation programme Herefordshire Connects and monitored by the Benefits Realisation Board.

1.2 Commissioning

- 1.2.1 Commissioning is a term which is often used with procurement mainly in the public sector. Commissioning covers the assessment of needs in the area as well as designing and procuring services. It involves
- a) User and community engagement
 - b) Strategic planning for services to deliver sustainable outcomes
 - c) Shaping markets
 - d) Monitoring the delivery of outcomes

1.3 Purpose of the Strategy

- 1.3.1 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.
- 1.3.2 This will provide an opportunity to co-ordinate current processes and to identify and act on improvements to ensure that best value is being obtained consistently when goods and services are purchased. It sets out areas for strategic consideration and development.
- 1.3.3 It should be noted that this document is not a Procurement Manual. Best practice procedures and documents are available on the council intranet or from the Corporate Procurement team directly.

1.4 Objectives

- a) To ensure that procurement practices support corporate objectives.
- b) To evaluate and improve current procurement practices to achieve better value for money.
- c) To ensure good practice examples and processes are identified and applied consistently across the organisation.
- d) To integrate procurement activities into other strategies adopted by the council and to ensure that corporate objectives are addressed holistically.
- e) To ensure that current and future procurement activities are planned, monitored and reviewed effectively.
- f) To identify opportunities for working with others, both public and private sector, to widen the scope for maximising purchasing power and Value for Money and identifying innovation and efficiencies.
- g) To drive the Sustainability agenda.
- h) Drive efficiencies and data capture via the implementing of e-procurement.

- i) Raise skill levels within procurement by guidance and training.

1.5 Benefits

1.5.1 In taking this strategy forward, the council can expect to realise the following benefits: -

- a) Improved value for money, by increasing the quality of goods and services bought and/or decreasing the costs.
- b) More efficient procurement, saving staff time and improving effectiveness.
- c) Consistent, compliant and best practice procurement processes.
- d) Better risk management which includes ensuring financial security, avoiding fraudulent or illegal activity, ensuring compliance with EU Procurement law and domestic regularity guidelines and environmental and employment law.
- e) Better project planning.
- f) Closer integration of the council's overall objectives and business plans.
- g) Consistent application of the council's key policies including sustainability, equality and diversity.
- h) Increased knowledge of how its money is being spent.

2. HEREFORDSHIRE COUNCIL'S CURRENT POSITION

2.1 Establishment

- 2.1.1 The Corporate Procurement team comprises a Strategic Procurement and Efficiency Review Manager plus a Corporate Procurement Officer operating purely on behalf of the council. Funding for an additional post is included in the 2009/10 budget.
- 2.1.2 Elsewhere in Herefordshire Council there are a number of Contracts Officers or Contracts Monitoring Officers whose roles are mainly concerned with purchasing activities, plus Corporate Programme Projects Managers, whose duties may entail elements of procurement responsibility within their overall project management tasks.
- 2.1.3 The remaining activity is carried out by Service Heads or delegated to their staff.
- 2.1.4 The Legal Department, prior to the appointment of the Corporate Procurement team were the main source of advice and support on procurement matters and remains an essential and valuable resource.

2.2 Skills/Capability

- 2.2.1 Whilst the Strategic Procurement Manager (currently an interim) has several years procurement management experience and relevant commercial training, and the current assistant is studying CIPS qualification, it appears there has been little or no specific training for other staff with purchasing responsibilities.
- 2.2.2 A number of personnel have acquired skills and knowledge via several years on the job experience and some have attended training courses as a personal or service area initiative. However, given that specialist procurement staff have been recruited relatively recently and the lack of a formal training programme, it is to be expected that the general standard of procurement expertise and routines can be improved. In compiling the contracts register data it has been apparent that in some areas responsibilities and knowledge are not always passed on when new staff arrive in post.

2.3 Expenditure/Data

- 2.3.1 Information on expenditure is currently accessed from the finance system, which requires drilling down through two or three layers of data, and the assistance of the Finance systems team. It is likely that unit pricing data for any one category will prove not to have been captured sufficiently consistently and or not be detailed enough for analysis of savings opportunities or benefits. There is also the potential of mis-coding which means a spend category report will include inappropriate, or exclude appropriate, items. The key to improvement will be the implementing the Agresso electronic procurement system planned within the Herefordshire Connects Programme. This will force the input of full and precise detail during the creation of Purchase Orders and enable the fast and accurate reporting of items being bought and the pricing applied to them.

2.4 Contracts Data

2.4.1 The initial manual contracts database (the Contacts Register) was set up in March 2008 in spreadsheet format. This is currently being refreshed and expanded under the supervision of Corporate Procurement, but is not yet fully complete, with some gaps in (i) listing all current contracts or (ii) in having the full data required against each contract.

2.4.2 A number of issues have been identified; -

- Lack of dedicated resources for keeping the data and/or furnishing the data within the service areas.
- Lack of understanding of the information required.
- Lack of adequate records.
- Lack of ownership of particular contracts in that the responsibility and/or the records may not be passed on when people leave a post, and some may be shared between services.
- There is an inconsistent approach to contract monitoring.

2.4.3 Improvements in these areas would;-

- Enable the council to better assess its financial liabilities in terms of contractual commitments.
- Identify procurement opportunities in terms of savings opportunities.
- Measure success in such areas as carbon reduction and other sustainability targets (including local sourcing), equality and diversity.
- Measure the value for money obtained from the supply base in terms of supplier performance, or price.
- Maintain a log of what significant data is held by the council's supply base and where to obtain details.
- Facilitate timely initiation of contract renewals and provide a central overview of planning and performance of procurement across the council.

3. THE NATIONAL CONTEXT

3.1 Comprehensive Spending Reviews

- 3.1.1 The national efficiency agenda was initiated by the 2004 Gershon Review, which promoted savings from shared back office services and joint procurement arrangements. The aim was to make the best use of resources available for the provision of public services and to release more resources to the front line.
- 3.1.2 The 2004 Spending Review incorporated these objectives. All councils had to deliver 2.5% efficiency savings per year, with at least half of these to be cash releasing. The target was a total of £3bn by the third year (2007/08).
- 3.1.3 The 2007 Comprehensive Spending Review (CSR 07) required councils collectively to deliver 3% cash releasing savings per year. The target set for local government was £4.9bn by 2010/11.
- 3.1.4 In the 2008 Pre Budget Report the Government announced that departments were making good progress towards the CSR 07 value for money target and announced an additional £5bn target for 2010/11.
- 3.1.5 The 2009 Budget Report presented on 22nd April 2009 announced further efficiency savings during the CSR07 period, increasing local governments targets to £5.5bn. The Budget revealed public spending cuts from 2010/11 and £9bn of efficiency savings for the public sector in the next spending review period (local government targets not specified).
- 3.1.6 The indication for local government is that there will be increasing pressure on services and a tighter local government settlement from 2011/12.

3.2 Value for Money Gains

- 3.2.1 In October 2007, the Department for Communities and Local Government published 'Delivering Value for Money in Local Government Meeting the Challenge of CSR07', which set out the efficiency challenge. The paper recognised that there is considerable potential from effective harnessing of efficiency and innovation techniques such as smart procurement and service redesign.
- 3.2.2 For the CSR07 period, 2008/09 to 2010/11, councils are required to submit information on their achievement of Value for Money (VFM) gains through a National Indicator (NI179). This information is also required to be shown on council tax bills and council tax information leaflets.

3.3 Comprehensive Area Assessment

- 3.3.1 Comprehensive Area Assessment (CAA) is the new framework for the independent assessment of local public services from April 2009. It will give central government and the local community a picture of how the council is performing and achieving value for money.

3.3.2 The CAA assessment includes an Area Assessment of how local services are delivering better results for the area, and an Organisational Assessment, measuring performance and use of resources.

3.3.4 There are 4 themes that run through the Area Assessment:

- Sustainability
- Inequality
- Vulnerable people
- Value for money

The themes of sustainability, inequality and value for money are incorporated in to the Procurement Strategy.

3.3.5 The Organisational Assessment includes a use of resources judgement, which has a specific focus on value for money. One of the key lines of enquiry is whether the organisation commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money.

3.3.6 The procurement strategy aims to support :-

- a) An increased focus in sustainability in the supply chain, both by including an assessment of environmental impact when selecting suppliers and by encouraging suppliers to improve their use of resources when providing goods and services.
- b) Encouraging suppliers to reach appropriate standards in diversity and equality via the selection process and during ongoing supplier/contract management.
- c) Improved value for money from suppliers both from reducing costs of goods and services and raising the quality received overall. The strategy encompasses assisting Herefordshire Council to provide better value for money to the public, not only by providing better quality services but more efficiently due to improved procurement processes. The new electronic procurement system and procedures coming out of the Herefordshire Connects and shared services programmes, will help reduce the costs of providing the council's services.
- d) The council's response to the current economic climate, which will put pressure on their ability to maintain revenues and so demands increased value from suppliers in order to maintain services.
- e) Local industry by assisting them compete for Herefordshire Council contracts.

3.4 The National Procurement Strategy

3.4.1 The National Procurement Strategy was launched in 2003 by central and local government. It was developed to help councils recognise the potential of effective and innovative procurement to improve service delivery and to realise potential savings and other benefits from working together in partnership that will:

- Better achieve community plan objectives;

- Deliver consistently high quality services that meet users' needs, with a range of partners from other sectors;
- Provide savings and better value for money, thereby improving the cost effectiveness of the council;
- Build social cohesion and promote equality of opportunity for service users, businesses and council staff;
- Be sustainable for the communities and areas served and benefit local citizens;
- Support delivery of the Council's e-government agenda;
- Enable Councils to manage and assess risks in the market place; and
- Be delivered through different structures and in new forms.

3.4.2 The National Procurement Strategy also required councils to stimulate the market by actively engaging with suppliers and providing information, including access to the council through their website.

3.4.3 The National Procurement Strategy (NPS) has been a catalyst for the development of a more strategic approach to procurement in local government and has created a platform for the realisation of efficiency gains and more sustainable procurement.

4. HEREFORDSHIRE'S LOCAL CONTEXT

4.1 Council Priorities

- 4.1.1 Procurement supports the achievement of the council's objectives.
- 4.1.2 The Corporate Plan contains the current overall targets, milestones and actions, together with the budgets and other resources to achieve them, over the coming years.
- 4.1.3 The council's Corporate Plan themes are:
- a) Children and Young People
 - b) Health and Well Being
 - c) Older People
 - d) Economic development and enterprise
 - e) Safer and stronger communities
 - f) Sustainable communities
 - g) Organisational improvement and greater efficiency
- 4.1.4 The council's top priorities are:
- The best possible life for every child, safeguarding vulnerable children and improving educational attainment
 - Reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives
 - The essential infrastructure for a successful economy, enabling sustainable prosperity for all
 - Affordable housing to meet the needs of local people
 - Better services, quality of life and value for money, particularly by working in partnership with the Herefordshire Primary Care Trust and other local organisations
- 4.1.5 Plans for individual directorates and services set out what each directorate and service will do to contribute to the corporate plan and achieve relevant targets. These feed into the plans of individual teams and the objectives and targets set annually for individual managers and their staff.
- 4.1.6 The Procurement Strategy aims to integrate good procurement practice into service planning and delivery to support the council's objectives.

4.2 Herefordshire Connects

- 4.2.1 Herefordshire Connects is the council's transformation programme to modernise the way in which day-to-day business is transacted to deliver improved value for money and better services for the community.
- 4.2.2 At the core of the business plan for Herefordshire Connects is the requirement to make cashable efficiency savings to support the council's Medium Term Financial Management Strategy.
- 4.2.3 More efficient and effective purchasing is a key element of the programme and one of the main drivers for improved procurement.

4.3 Herefordshire Public Services

- 4.3.1 The 'deep partnership' between the council and NHS Herefordshire is a key driver to developing collaborative working on procurement.
- 4.3.2 A Shared Services Board is looking at potential services which could be shared across the PCT and County Hospital. One of the potential shared services is procurement. The Board is working with Improvement and Efficiency West Midlands, the regional partnership set up by the government to help authorities increase efficiency and improve performance.

4.4 NHS Herefordshire existing arrangements.

- 4.1 NHS Herefordshire is a member of the West Midlands Collaborative procurement hub. The healthcare purchasing consortium (HPC) is a NHS not for profit organisation and operates as an arms length agency of the University Hospitals Coventry and Warwick NHS Trust. HPC is amongst the largest collaborative hubs in terms of spend, geographical coverage and savings achieved. Members of the hub pay a block fee (HPCT circa £40k) which covers all infrastructure costs, salaries, training etc. This fee relates to a core service but also includes a 20 days per annum that are available for the PCT to access specific procurement support on projects of their choice.
- 4.2 All savings that HPC make through negotiations with suppliers are passed back as either cash releasing savings, cost avoidance or added value savings to member trusts. In 2007/08 a savings target of £153k was achieved against a fee of £38k.
- 4.3 NHS Herefordshire has a small central buying team who use an electronic requisitioning system (Eros) and link through to a number of electronic catalogues. Buying/ Procurement is centralised within the PCT.

Analysis of Spend

- 4.4 NHS Herefordshire in 2008/09 spent £254million. An analysis of operating costs shows that the PCT spends only a small proportion of its resources on buying goods and services as the main area of expenditure is related to the commissioning of NHS, Primary Care and Non NHS care. The Provider Services arm of the PCT is the main requisitioner of supplies and services.

- 4.5 The PCT has a small block Capital allocation of approximately £1m although additional capital bids to the Strategic Health Authority can result in increased allocations. Historically local businesses have been successful in winning tenders for maintenance and capital works.

Opportunities for Shared Services arrangements

- 4.6 NHS Herefordshire is committed as part of the Shared Services review to explore opportunities around the potential to deliver additional savings through a joint procurement approach.
- 4.7 It is currently envisaged that as part of World Class Commissioning initiative that Strategic Health Authorities will be creating Commissioning Procurement hubs. This will need to be considered in the context of an overall joint Procurement Strategy.

5. LEGAL FRAMEWORK AND FINANCIAL REGULATIONS

5.1 EU Procurement Directives

- 5.1.1 Public procurement, both performed by Central Government and by Local Authorities, Fire, Police and Health Services, is regulated within European Union members by specific legislation. The EU Public Contracts Directive of 2004, enacted in the UK via the Public Contracts Regulations 2006, is the currently applicable law.
- 5.1.2 This sets out thresholds for goods, services and works and a closely defined set of procedures that must be followed in contracting where the lifetime value of the contract is likely to exceed the appropriate threshold. Any breach of the regulations can potentially lead to penalties, including the setting aside of a contract award, any of which could be financially costly and damaging to the council's reputation. As the object of the Directive is primarily to encourage competition throughout the EU, this is potentially an obstacle to promoting the use of local suppliers.

5.2 Council's Constitution

- 5.2.1 The council's contract procedure rules are contained within Appendix 5 of the council's constitution. These reflect the legislative requirements of EU and the council's procedures.
- 5.2.2 Adherence to these regulations is mandatory for all council employees.
- 5.2.3 The primary objective of the council's Standing Orders and Financial Regulations is to ensure that all contracts for works, services and supplies are entered into by the council in a manner which: -
 - a) secures the best possible value for money; and
 - b) is demonstrably free from impropriety

6. STRATEGIC FRAMEWORK FOR PROCUREMENT

6.1 General Principles

- 6.1.2 Procurement must be result focused i.e. meeting the council's objectives; ensuring customer needs are satisfied and achieving value for money.
- 6.1.3 High value and strategic procurement carries far higher risks if the project is not completed successfully e.g. a construction contract of tendering for provision of a service. Strong support and guidance needs to be in place for this type of procurement.

6.2 Routine Procurement

- 6.2.1 Procurement of low value items by individual budget holders 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 budget holders can respond to their own requirements, there needs to be sufficient co-ordination to allow good practices to be shared, benefits to be accrued for economies of scale and targets and improvements to be identified and achieved.

6.3 Procurement Planning

- 6.3.1 Any procurement strategy needs to have a role in the forward planning of strategic procurement reviews. This provides a framework for the realisation of benefits from implementation and aligns contract renewal dates for goods and services internally. This will also help identify collaboration opportunities with other public sector organisations.
- 6.3.2 Each directorate should have a Strategic Forward Procurement Plan to ensure that the authority maximises the opportunities for procurement savings in future years.
- 6.3.3 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 below: -



6.3.4 The forward plan considers a number of drivers for example:-

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

6.4 Project Management

6.4.1 Procurement undertaken in this category needs to be managed to formal project management principles, with responsibilities clearly outlined and plans 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 results are achieved and the council's objectives met. Any project should consider the training given to key employees undertaking this work to ensure that the appropriate project management skills are in place.

6.4.2 Before the start of any procurement project a business case must be completed to define the desired benefits and the approach to achieving them. Successful completion of the business case will lead to a project manager being appointed to the project for its duration.

6.4.2 All strategic procurement exercises will be project managed under the PRINCE2 project methodology which will be led by the project manager. Each will undertake an options analysis comparing all or some or a hybrid of the following procurement options:-

- a) Traditional procurement
- b) Partnering
- c) PFI/Public Private Partnership

- d) Outsourcing
- e) In house service provision

6.5 Consortia and Joint Negotiation

- 6.5.1 Any procurement activity becomes 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.
- 6.5.2 The council owns a share of West Mercia Supplies purchasing consortium (WMS) and as a result receives a significant dividend each year which makes a valuable contribution to the overall budget. It is vital that the council employees use WMS appropriately and do not purchase outside of this arrangement for the agreed products and services.
- 6.5.3 A purchase from a non WMS supplier is on an exception only basis and cannot proceed unless agreed by the Head of Financial Services or the Strategic Procurement and Efficiency Manager.
- 6.5.4 The Strategic Procurement and Efficiency Manager will investigate opportunities for utilising purchasing consortiums where beneficial to the council.
- 6.5.5 Herefordshire is a member of the Joint Procurement Group consisting of Worcestershire County Council, Telford and Wrekin Council and Shropshire County Council. Opportunities for joint working and best practice sharing are discussed on a regular basis.

6.6 Partnership Working

- 6.6.1 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.
- 6.6.1 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. Ideally, the partnership will be underpinned with a formal contract, processes and procedures document in which the ethos of the partnership is captured.
- 6.6.2 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 the trust that develops between customer and supplier at strategic and operational levels and enables the sharing of skills, knowledge and research. Where quality is enhanced, life cycle costs are driven down and customer satisfaction remains high.
- 6.6.3 Opportunities arising from the 'deeper partnership' with NHS Herefordshire and Hereford Hospital will be developed within the Shared Services project. This is likely to lead to changes in procurement practices, processes and organisation within the partnership. At the very least, an increase in collaboration via joint contracting on appropriate commodities or services, and shared resources to carry out activities more efficiently, should be sought.

6.7 Training

- 6.7.1 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 the project and contract management skills referred to earlier as well as competency in appraising suppliers, carrying out tendering processes, negotiations and risk management.
- 6.7.2 Where new processes are adopted e.g. use of payment cards or on-line procurement or changes to guidance/standing orders, training requirements need to be identified as part of the changes proposed.
- 6.7.3 Training needs will be identified, and a training plan created to cover these training needs through the Procurement Exchange Group led by the Strategic Procurement and Efficiency Manager.
- 6.7.4 The Procurement Exchange Group is made up of a cross section of Herefordshire Council's procurement staff plus a representative of Legal Services, and gives opportunity for two way procurement information exchange and acts as an internal network for all procurement related activity and initiatives.

6.8 Environmental and Sustainable Procurement

- 6.8.1 Whatever method of procurement is used, the council must ensure that providers of goods and services work to environmental standards equivalent to those set within the council and are made aware of relevant requirements. This may be achieved both by contractual means and through advice, support and guidance.
- 6.8.2 UK Government has laid down the need for all public bodies to actively engage in increasing sustainable procurement in the "Sustainable Procurement National Action Plan" in 2006. This document offers the following definition;
- "Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment".
- 6.8.3 Herefordshire Council in turn have stated within their environmental policy a commitment to :-
- Use its influence to actively encourage responsible environmental practise by suppliers and contractors
 - Integrate relevant environmental specifications and standards into procurement and commissioning processes.
 - Promote this policy to all contractors, partners.

6.8.4 The benefits of successful sustainable procurement will include:

- a) Global benefits, like reducing the harmful affects of climate change, conserving diminishing natural resources and protecting the natural world.
- b) Direct-impact and localised benefits, such as optimal value for money through the whole life cost of purchases being fully assessed, increasing use of local businesses to reduce “product miles” and hence delivery costs (including emissions).

6.8.5 Herefordshire Council has thousands of suppliers and contractors, so procurement activity can have a large influence on the total environmental impact, the impact on suppliers staff and on council staff and our citizens, as well as on council finances. The Corporate Procurement team will work with the council’s Environmental Management team to provide tools to improve and monitor sustainability throughout the procurement process. The calculation of real true cost of a purchase can be very complex and procurement will assist in training staff to evaluate the issues involved.

6.8.6 Apart from identifying recent environmental issues during the process to select suppliers and including them in the selection decision and the contract, suppliers should be monitored and encouraged to meet or exceed standards set by the council during ongoing contract management. It may also be appropriate to include in the initial commissioning phase, options analysis to determine whether the design and specification of the requirement should incorporate sustainability.

6.8.7 The council is certified to International Environmental Management Standard ISO 14001, and so it is obliged to make contractors/suppliers aware of policy, procedures and instructions to ensure they comply with our environmental goals and all legal requirements. Ultimately the council is responsible for the actions of its contractors, hence appropriate levels of supervision and monitoring must be carried out. Procurement will seek to ensure the vertical supply chain, i.e. council contractor’s suppliers and subcontractors are also considered in any assessment.

6.8.8 Further guidance can be obtained from Herefordshire Council’s Environmental Management team and the Corporate Procurement team as appropriate.

6.9 Local Sourcing

6.9.1 Closely linked to sustainability, due to the environmental benefits of avoiding long journeys for delivery of goods and services and also travel to meetings between council staff and suppliers, there is also the imperative of trying to boost trade within the county especially during the current economic downturn.

6.9.2 The benefits to the environment and the councils’ constituents of increasing procurement awards to local businesses, has to be balanced with the need for best value for money overall and open competition. This latter factor is important when ensuring compliance with EU Procurement legislation.

6.9.3 Corporate Procurement will proactively seek opportunities to increase the number of local suppliers qualifying for council business. As many will be small and medium sized Enterprises (SME’s), any barriers to success this may involve need to be addressed.

6.10 Equality and Diversity

6.10.1 All Herefordshire residents have a right to expect that public money is spent on services which suit their needs, and that it is spent in a way which promotes equality of opportunity and delivers high quality goods and services.

6.10.2 Legislation now requires the authority to eliminate unlawful discrimination. Where an external supplier carries out our functions for us, we remain responsible for meeting this duty. Therefore it is vital to take issues of equality into consideration when:

- a) Providing services;
- b) Purchasing services;
- c) Employing staff; and
- d) Working in partnership with other organisations.

6.10.3 It is key that we demand the same commitment from those who deliver services on our behalf.

6.10.4 When procuring or commissioning services, the council will:

- a) Treat contractors and partners with dignity and respect.
- b) Encourage applications from partners and contractors which represent the Herefordshire population.
- c) Ensure that, in setting the standards for the services it procures, barriers for potential services users will be eliminated. These barriers may include affordability, language, physical accessibility, culture, attitude, the geographical location, income and others.
- d) Ensure that individuals and organisations providing services on its behalf are aware of the council's Comprehensive Equality Policy and understand their responsibility for implementing it.
- e) Ensure that the services it provides and those provided on its behalf are monitored to ensure fairness, equity and accessibility for all.
- f) Ensure that the organisations it commissions comply with all equalities legislation and do not unlawfully discriminate as an employer or service provider.
- g) Use whatever opportunities the law allows to ensure that those providing the council with works, goods or services or providing services on the council's behalf, accept a commitment to equality and monitor their own performance in the area.
- h) Provide diversity training sessions for partners' employees.
- i) Encourage contractors to agree to further voluntary steps to promote equality after the contract has been awarded.

6.10.5 When providing services on behalf of the council, partners will:

- a) Treat council officers and members of the public with dignity and respect.
- b) Ensure that everyone providing, receiving or benefiting from the service are treated fairly and without discrimination (on whatever grounds), either directly or indirectly, and will put systems in place to monitor these criteria.
- c) Ensure that barriers to accessing services are removed, including physical, communication and attitudinal barriers.
- d) Make every effort to consult, involve and encourage the participation of the diverse communities of Herefordshire to ensure equitable service delivery.
- e) Comply with all relevant diversity legislation and reflect the council's values of "service with integrity, empathy and equity".
- f) Provide such information as the council may reasonably request for the purpose of assessing the partner's compliance with the above conditions.
- g) Ensure that staff providing the service have diversity training and understand their responsibilities in regards to the council's commitment to diversity and relevant equality legislation.

6.11 eProcurement

6.11.1 All modern, efficient, organisations of any reasonable size will employ "eprocurement", meaning an electronic (computerised) procurement system. This allows the whole procure to pay process to be carried out electronically, from the raising of goods and service requisitions, through authorising and despatch of purchase orders, to invoice matching for payment. This offers significant advantages over manual, paper-driven systems.

6.11.2 Efficiency

6.11.3 The process can be quicker, and also take less man hours to carry out, because

- a) the process is semi-automated,
- b) key data is carried by the system and so quick to find or appears automatically;
- c) there is much less reliance on paper physically moving between staff and suppliers.

6.11.3 Control

6.11.4 The system can prompt the use of mandatory suppliers as well as the correct item descriptions and codes, which in turn improves the accuracy of the data for reporting. Password protected authorisation ensures ordering and payment cannot continue unless they adhere to the correct value thresholds, account codes and budgets. The improved visibility of all activity during the cycle, captured within the system, vastly improves audit ability.

6.12 Risk Register

- 6.12.1 The procurement of services or the identification of a partner to deliver such services will always include a measure of risk to the authority. The Corporate Risk Manager will assist in reviewing those risks before final decisions are made and should accordingly be involved in the process from the embryonic stage of any such project. Reviewing the risks and how they can be controlled often opens up opportunities and should be seen as a positive part of the procurement process.
- 6.12.2 The council's Risk Management Policy and Guidance document is available on the intranet and should be used as a basis for considering the risks during the procurement process.
- 6.12.3 Insurance implications are often left to last in the matters to be considered. However, there can be a danger in this as inadequate insurance arrangements can put a project on hold whilst insurers consider the current levels of cover against those required. Again, as soon as a procurement process is considered the insurance section should be contacted for advice.

7. FORWARD PLAN

7.1 Organisational Structure

- 7.1.1 A shared services strategy is due to be produced by August 2009, further developing the partnership between Herefordshire Council the Primary Care Trust and Hereford Hospital Trust including recommendations for the Procurement teams future organisational structure. The aim is to realise the requirements of all three bodies, together with the opportunities for collaborative purchasing of common items, efficiencies from a shared strategic professional resource and streamlined 'procure to pay' processes.
- 7.1.2 Meanwhile, unless overridden by short to medium term developments within the shared service project, a review should be carried out within Herefordshire Council to the following ends:-
- a) Within each Directorate the level of manpower required to carry out their procurement activities assessed, and those roles carrying out those responsibilities identified and listed. Hence a check is produced showing who is responsible for:
 - (i) Supervising tender and request for quotation processes
 - (ii) Contract monitoring/day to day supply contract management and reporting
 - (iii) Maintaining the contracts register and all supply contracts documents
 - (iv) Raising of Requisitions and Purchase Orders.
 - (v) Any gaps in manning including unfilled positions or responsibilities not currently covered are to be reported with a plan to recover such situations.
 - b) The monitoring level in the Corporate Procurement team assessed against the current workload and any increase in workload anticipated from this forward plan. Recommendations forthcoming from this to be presented to the Director of Resources for assessment, together with the gap analysis arising from the work in the services in a) above. Thereby an overall view of the adequacy of staffing for all procurement activity is presented, such that any issues arising can be addressed.
- 7.1.3 The implementation of Agresso will bring changes in process/procedures and require training.
- 7.1.4 At this stage it is assumed that the clerical activity of raising requisitions, approving purchase orders, checking against budget and authority levels will remain decentralised in the Directorates as at present. Electronic procurement systems allow this process to be much more fast and efficient, than manual systems or by setting up a central clerical service.

7.2 Systems and Procedures

- 7.2.1 The electronic Agresso Procurement system planned for implementation by April 2010 requires the creation of the following, under the direction of the Herefordshire Connects team and Corporate Procurement:
- a) Policies and procedures and structures that realise the full level of potential efficiencies in the whole procure to pay process afforded by electronic requisition

creation, approval and conversion to purchase order and invoice matching and payment.

- b) Ensuring that procedures facilitate adherence to budgetary controls and authority levels and to procurement policy. Thus includes enforcing the use of mandatory supply contracts, plus maximum report ability to make supplier performance monitoring, buyer performance, expenditure tracking and data analysis prior to tendering monitoring so much better than currently possible.
- c) Devising the training programme for users of the new system including procurement procedures to be followed. The recipients for training being identified by the review in 7.1.
- d) Managing the loading of electronic supplier catalogues onto the new system, enabling those staff raising requisitions/purchase orders to select the product codes, descriptions and price easily and accurately from the current suppliers (e.g. WMS).
- e) Ensuring master files such as the product file are adequate to enable detailed reports to be obtained to meet Herefordshire Council's requirements. For example, a coding structure for all goods and services should be created that enables the grouping of like categories for tendering purposes.

7.2.2 Under current systems capability there is little or no capture of unit pricing, making assessment of savings opportunities and post-tender savings/benefits calculations extremely difficult

7.3 Training

7.3.1 A programme of six full days of Procurement Training spread through the first half of 2009/10 has commenced for around twenty staff where procurement duties are a key part of their role. This had been set up to promote a common understanding of the principles, objectives, key skills and methods of procurement in a local government context, to the core practitioners within directorates and corporate projects team.

7.3.2 As mentioned in 7.2 above, the implementation of Agresso will entail the mechanisation of routine day to day procurement and revised procedures and familiarity with use of the system will need to be taught to the fairly large numbers of administrative staff involved. Corporate Procurement need to ensure council policy and best procurement practise are adhered to.

7.3.3 Corporate Procurement need to follow developments in EU legislation and interpretation together with developing National Governmental guidelines that pertain to procurement. Therefore they will need to attend occasional ad hoc courses and seminars accordingly.

7.3.4 The course mention in 7.3.1 is mainly for staff who carry out most of the procurement duties. It is intended as the most effective and speedy way to raise standards and levels of consistency and assumes an amount of "training upwards" will be undertaken by attendees when back in their service areas. It is believed that subsequent training of Heads of Service should be planned to ensure they fully understand the principles of good procurement, and so provide appropriate support to their contracts staff when carrying out their duties and manage the recruitment/appointment of such staff to best effect.

- 7.3.5 To promote best practise in integrating sustainability targets into procurement activity, it is proposed that a specific training course (up to one day) be set up as quickly as possible for contracts staff. This would aim to provide suggestions and guidelines to enable specific actions to be taken when selecting suppliers and monitoring contracts.

7.4 Procurement Savings Opportunities

- 7.4.1 One key goal of the Herefordshire Connects project is to realise cost savings from Herefordshire Council's supply base by putting in place new supply contracts for goods and services, or combining expenditure that is currently dispensed amongst a number of small contracts or a larger number of suppliers than is conducive to obtaining best value. Some existing contracts may potentially be renewed on improved terms.
- 7.4.2 Working within Connects will enable benefits tracking to be carried out under protocols established by the programme.
- 7.4.3 Corporate Procurement have identified an initial list of categories that appear to have most potential savings opportunities and will develop a set of priorities and time plan during May/June 2009.

7.5 Contracts Register

- 7.5.1 Herefordshire Council holds an up to date record of all supply contracts on a central contracts register held by the Corporate Procurement team.
- 7.5.2 The majority of contracts are let directly within directorates, rather than centrally and the 'Responsible Person' for each Service needs to maintain records for the purposes of their own procurement planning and contract management plus the council's audit requirements and to comply with commercial law. The best way to maintain the register as an up to date document is for the responsible persons to update the register at the same time as they update their own records. Hence, ideally there would be one shared resource online where an electronic register would be visible to all, and updatable by all authorised staff via password. Otherwise the Corporate Procurement team would have to continue spending time collating the data from the directorate periodically and the staff there would be updating two documents instead of one.
- 7.5.3 Corporate Procurement will investigate the options and propose the most efficient solution to keep the register up to date going forward.

7.6 Procurement Manual/Financial Procedures

- 7.6.1 The council constitution is being rewritten and so the Appendix covering Contract Procedures is also being updated. Once Agresso procurement is implemented, there will be a need to incorporate any amendment that may be needed to accommodate revised processes arising from that. There is also a need to update and clarify sections currently in the light of experience since they were last issues.
- 7.6.2 It is also believed that more detailed guidelines in procurement practise would be very helpful to procurement staff in the directorates, to ensure both best practise in obtaining

value for money and also compliance to council and EU regulations. This detailed guidance should be within the Contract Procedures or in a specific Procurement Manual.

- 7.6.3 The Corporate Procurement team will undertake to draft updated and expanded guidelines and recommend the best way to make them available to all staff.

7.7 Sustainability

- 7.7.1 With the increased focus on this subject throughout Government, the Procurement team will devise and implement several initiatives to ensure Herefordshire Council maximises the levels of sustainable sourcing within council control and influence. These will include;-

- a) Preparation and dissemination of suitable tender clauses and tender evaluation tools and contract clauses to promote sustainability to all appropriate staff.
- b) Organising specific training.
- c) Identifying the top ten Herefordshire Council suppliers in terms of their carbon footprint and instigating contract management and contract renewal targets to lower their impact on the environment. This may include working with them on planned reductions by, for example, changing their sourcing policies or practises, and/or replacing them with alternative suppliers with a smaller footprint in the future.
- d) Determine the contract value where specific commitments to environmental management will be sought from suppliers and monitoring regimes established. Identifying whether all categories of goods and services are included, or lower impact ones can be exempted. Qualifying suppliers will be encouraged to work towards ISO 14001.

7.8 Local Sourcing

- 7.8.1 The Procurement team will aim to increase awareness of opportunities within the council's procurement requirement amongst business in the county, and actively seek to enhance local firms' ability to compete.
- 7.8.2 The Web Portal on the Herefordshire Council website will be used to register suppliers and upcoming tenders, plus other advertising avenues contributing to meeting the bigger sourcing events. The web portal will also display a listing of the council's regularly-bought categories of goods and services that could be sourced locally.
- 7.8.3 To ensure the Portal is used as productively as possible, it is recommended that the currently low rate of opportunities being published be increased by the council making it mandatory for staff to publish *all* requirements with a value over £5,000 on the Portal (in addition to any further advertising media that may be appropriate for any particular tender).
- 7.8.4 A potential issue is that when local companies do tender for contracts their bids are not as strong as they could be. To that end the Economic Development Service is proposing to establish a training seminar with Business Link and the Chamber of Commerce on meeting the requirements of public sector tenders. In this way the council will assist with the wider goal of helping local firms win national as well as local contracts.

- 7.8.5 The council, Business Link, and the Chamber of Commerce will seek to develop a programme of events and activities in addition to that in 7.8.4, to develop local suppliers' awareness and capabilities, including an annual 'Meet the Buyer' event.
- 7.8.6 Barriers to entry will be covered by;-
- a) Producing guidance to suppliers on how to improve their chances of qualifying for tenders.
 - b) Looking at criteria included in tender evaluation to lessen potential discrimination against less experienced or small companies.
 - c) Concentrating on services where local suppliers may offer specific advantages to ensure they can maximise their success on these.
- 7.8.7 Value for money needs to be achieved, but part of the criteria used to evaluate this when scoring tenders can include strengthening the local economy and reducing transportation costs. This will be developed for new programmes and new key contracts. The Procurement Team will lead in producing detailed written guidelines for all staff to use when planning to go to market and when drawing up award criteria and scoring regimes.
- 7.8.8 A criteria template will also be issued to officers when judging tenders, with officers ensuring that local companies have an opportunity to tender for purchases and contracts. In addition companies awarded contracts would be encouraged to sub contract to local companies, maximise local labour and use locally produced goods. A commitment needs to be made by companies to address this and tested during the course of the contract.
- 7.8.9 A note to all Schools and Colleges in the County will be distributed to encourage them to 'Buy Local' as far as practicable and offering further guidance as required.

7.9 Contract Monitoring/Management

- 7.9.1 Several aspects of the procurement goals detailed here require ongoing dialogue and support of current suppliers. To ensure not only that best value and quality goods and service are obtained from the supply base, issues like sustainability and equality and diversity need to be monitored fully and diligently.
- 7.9.2 Corporate Procurement will work with contracts officers to ensure an adequate programme of contract management is in place and is carried out to a planned timeline and with clear targets set and measured for all key suppliers.