



RUNNYMEDE BOROUGH COUNCIL

PROCUREMENT STRATEGY

1. INTRODUCTION

Purpose of the strategy

- 1.1 This document sets out the Council's strategic approach to the commissioning and procurement of goods and services. It applies to all procurement activities, from the purchase of low value goods to the procurement of whole services.
- 1.2 The purpose of the strategy is to ensure that the Council's procurement activities support the delivery of the Council's objectives and the efficient discharge of its services.

Definition

- 1.3 The National Procurement Strategy for Local Government in England defines procurement in the following way:-

"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 options appraisal and the critical "make or buy" decision which may result in the provision of services in-house in appropriate circumstances. (page 17, National Procurement Strategy for Local Government in England, ODPM, October 2003)

The corporate context

- 1.4 Service delivery is underpinned by five key objectives in the Strategic Plan:

- Provide Quality Services
- Achieve Value for Money
- Improve customer satisfaction
- Achieve continuous improvement
- Effective partnership working

As far as the implications for procurement are concerned, Runnymede's policy has been to ensure that it procures services in a way that achieves the desired service and corporate objectives at the best available price.

- 1.5 The Council aspires to deliver 21st Century services via the most modern work processes through implementing e-government. Council policy is to continue to invest in smart systems that will improve Council processes, eliminate repetitive low value tasks and help free people to provide excellent customer services.
- 1.6 The Council has adopted a number of strategic plans that have a bearing on its procurement strategy, namely:-

Strategic Plan
Community Strategy
Best Value Performance Plan
Asset Management Plan
Environmental Policy Statement

The Strategic Plan recognises that the Procurement Strategy is fundamental to the delivery of the Council's core objectives

1.7 **Accountability**

- The Council has Standing Orders and Financial Regulations which prescribe the procedures to be adopted for procuring goods and services.
- Chief Officers and Budget Managers are designated with the responsibility for delivering each of the Council's services. These are identified in Part 3 of the Council's Constitution and the Budget Book.
- Officers are accountable to the Council for complying with approved Council policy
- The Council is accountable to the public for delivering its policies and targets as set out in the Best value Performance Plan.

2. THE OBJECTIVES OF THIS PROCUREMENT STRATEGY

2.1 **To reduce the cost of the procurement activity for both the Council and its suppliers.**

2.2 **To deliver value for money contracts by establishing sound commercial partnerships as well as entering traditional contractual relationships.**

2.3 **To implement transparent procurement processes.**

2.4 **To ensure that procurement is undertaken in accordance with Council policy.**

2.5 **To make it easy for others to do business with us.**

2.6 **To achieve the Government's targets set out in the National Procurement Strategy.**

3. HOW THE COUNCIL'S PROCUREMENT OBJECTIVES WILL BE ACHIEVED

3.1 ***To reduce the cost of the procurement activity for both the Council and its suppliers***

Implement the purchase ordering module of TASK Financials in order to integrate the purchasing and paying functions effectively.

Participate with the Surrey Procurement Network and the SE Regional Centre for Excellence in order to develop best practice and pursue marketplace solutions.

Evaluate options for e-procurement and implement a suitable solution.

3.2 ***To deliver value for money contracts by establishing sound commercial partnerships as well as entering traditional contractual relationships***

- Strategic procurement of whole services will be subject to the project management disciplines established by the Council.
- Routine purchases will only be made in accordance with corporate policies, thereby increasing efficiency and minimising rogue purchases in order to promote the best use of staff time.
- Evaluate alternative options for discharging services in the most cost effective way and ensure that the approach to individual contracts is supported by a sound business case.
- Procurement decisions will consider the role of SME specialist suppliers in delivering elements of larger contracts and framework agreements.

3.3 ***To implement transparent procurement processes***

- Publicise details of the Council's procurement practices.
- Provide guidance and training to staff in procurement matters.

3.4 ***To ensure that procurement is undertaken in accordance with Council policy***

- Procurement training will be provided where a need is identified in annual staff performance appraisals. Training sessions will be undertaken each year to update staff on developments in procurement and to ensure that procurement objectives and procedures are understood throughout the organisation.
- Procurement guidance will be published in the Council's Constitution and on the intranet.
- Compliance will be reviewed through regular audits and built-in checks that are part of procurement procedures.

- The Project Group will consider a communications plan that will be cascaded throughout the Council.

3.5 ***To make it easy for others to do business with us***

- Produce a prospectus for suppliers on the Council's web-site showing the significant items that the Council expects to buy, with the anticipated procurement dates.
- Publish a Business Guide on the web-site explaining how the Council procures its goods and services.
- Provide a facility on the website for potential suppliers to register their interest in receiving e-mail notifications of tenders.

3.6 ***To achieve the Government's targets set out in the National Procurement Strategy***

- Review procurement practices and evaluate the business case for e-procurement solutions.
- Collaborate with other authorities and the Surrey Procurement Network.

3.7 Performance will be reported annually to Corporate Management Committee.

4. COUNCIL POLICIES AFFECTING PROCUREMENT

4.1 ***Achieve Quality Services***

The Council's corporate standards aim to achieve quality services through:-

- a commitment to providing customer-focused quality service delivery to residents and businesses.
- a commitment to achieving and maintaining clearly stated service standards.
- a commitment to sound financial management, maximising flexibility and achieving value for money.
- setting an example in the way the Council operates both in respecting the environment and in dealings with suppliers and customers.
- exercising policies that are non-discriminatory in relation to customers and also to employment practices.

4.2 ***Procurement rules and best practice guidance***

The procurement of goods and services must always comply with Standing Orders, Financial Regulations and European Directives.

4.3 ***Procurement ethics and probity***

The Council's Standing Orders for Contracts in Part 4 of its Constitution sets out the procedures that are to be adopted when inviting tenders and awarding contracts. Part 5 of the Constitution specifies the codes of conduct that must be followed by both Members and Officers in the transaction of Council business. The Council's Standards Committee has the role of monitoring and assisting Members to comply with the operation of the Members' Code of Conduct as described in Article 8 of the Constitution. The Council is committed to high standards of corporate governance and complies with all Accounting Statements of Recommended Practice, including the full disclosure of related party transactions (see also paragraphs 15.11 and 15.12 of Financial Regulations).

4.4 ***Best value procurement***

There is an overriding duty to procure goods and services in a way that secures the best value for the Council. The guidance for achieving best value is set out on pages 36 to 39 of the Best Value Review Guide.

4.5 ***Electronic procurement***

The Council's IT Strategy and its IEG Statement include the objective of increasing the proportion of the Council's business that is transacted electronically and the plans for achieving this. The forthcoming E-Procurement strategy will consider the business case for pursuing a range of e-procurement initiatives.

4.6 ***Social, economic and environmental considerations in procurement***

- If proposals are brought forward to externalise services, steps will be taken to ensure that any staff liable to transfer are fully protected by TUPE and will be offered comparable pension provision.
- The Council is committed to partnership working with public, private and voluntary sector providers to identify optimal procurement solutions. Officers are required to consider whether

any particular contractual terms are desirable in the light of the recommendations of the report of the DETR Construction Task Force “Rethinking Construction” (the Egan Report) published on 16 July 1998 (see Standing Orders for Contracts, paragraph C6.2).

- The Council has signed up to the national Small Business Friendly Concordat, which seeks to promote effective trade between local authorities and small businesses. The Council will encourage diversity in its use of suppliers subject to this satisfying requirements of value for money and quality.
- The Council’s Environmental Policy Statement includes a purchasing policy: ***To favour purchase of environmentally friendly products and use of services with a minimal environmental impact, so long as requirements of value for money and quality are met, and encourage suppliers to pursue responsible environmental practices.*** Section 10 of the Environmental Activities Review (reproduced at Annex B) sets out in detail the Council’s approach.
- The Council’s procurement policies must comply with UK and EU law. Standing Orders for Contracts specifically refers to the need to comply with all health and safety legislation (paragraph C6.1).

4.7 **Equality**

Council policy is to exercise policies that are non-discriminatory in dealings with, and service to, customers and also in employment practices. (*Strategic Plan, Annex B*)

4.8 **Staffing**

Council policy is to involve, value, develop and reward staff in their employment and provide a good, safe working environment. (*Strategic Plan, Annex B*)

5. **HOW PROCUREMENT IS CURRENTLY ORGANISED**

5.1 **Procurement responsibilities**



5.2 **Scale**

The 2005/06 Revenue Budget includes approximately £15 million on bought in goods and services. This represents 40% of the Council's gross budget excluding benefit payments.

The 2005/06 Capital Programme includes Council schemes to a value of £14.4 million of which £7 million (49%) relates to bought in goods and services.

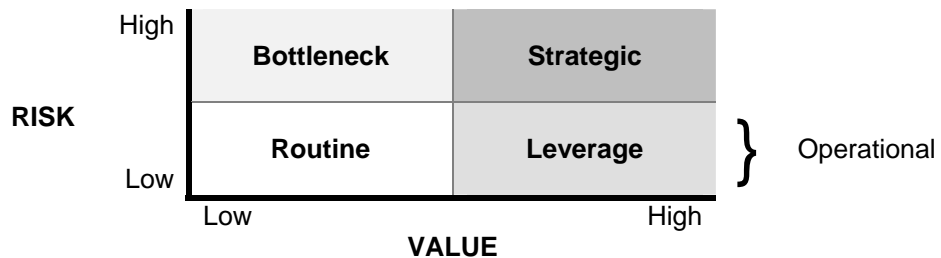
In 2004/05, the Council paid over £16 million to suppliers. The following table shows that most of the 17,425 transactions were for amounts of less than £1,000.

Analysis of payments to suppliers in 2004/05

Value of Payment	Total	No of Transactions	Average value
	£	£	£
Under £100	302,532	7,486	40
£100 to £999	2,234,599	7,371	303
£1,000 to £1,999	1,479,068	1,220	1,212
£2,000 to £4,999	2,555,919	937	2,728
£5,000 to £9,999	1,842,010	316	5,829
£10,000 to £19,999	1,884,256	156	12,079
£20,000 to £29,999	1,762,099	81	21,754
£30,000 to £49,999	1,683,732	49	34,362
£50,000 to £99,999	2,088,886	31	67,383
Over £100,000	2,273,009	16	142,063
Total	18,106,110	17,663	

5.3 **Risk matrix of the Council's procurement activities**

5.3.1 Services can be plotted on a grid which analyses them in terms of risk (or importance to the organisation) and value:-



The approach to procurement will depend into which category the service falls. Major categories of procurement activity are identified in Annex D and mapped to the matrix.

Strategic procurement includes:

- Term contracts for periods of three or more years.
- Single contracts for goods or services in excess of £100,000.

Bottleneck includes:

- Low value items that are important to the Council and which may be difficult to obtain at the time when they are required, e.g. emergency supplies.

Leverage includes:

- Purchases of goods and services of a similar nature totalling more than £10,000 per annum. In these circumstances the Council will be able to obtain better prices through bulk purchasing arrangements and consolidating invoices. This will include utilities and office supplies.

Routine covers:

- All remaining items

5.4 **Strategic procurement**

5.4.1 For all strategic procurement decisions a multi-disciplinary project group is established to ensure that schemes achieve corporate outcomes. Progress is monitored by Departmental Management Teams or the Chief Officers' Management Team where more than one department is involved in the procurement.

5.4.2 A feasibility report is prepared for the relevant Committee. The procurement option(s) identified during a feasibility review have to be fully evaluated. The feasibility review reported to Committee covers:

- a specification of the service required, based on service outputs where feasible and relevant.
- research/understanding of the appropriate market.
- consultation with customers/users.
- discussion with staff and potential providers.
- indicative costs.

5.4.3 The evaluation should:

- define how much of the service should be exposed (based on maximising effectiveness and reducing process costs)
- define the contractual relationship (i.e. arms length or partnership).
- identify risks and decide how they should be shared.
- identify the appropriate quality assurance measures for the service.
- identify the possible implications for the Council as a whole.
- identify the contract period.
- state how the contract will be managed to achieve the specified outcomes.

5.4.4 The decision on whether a service is to be provided in-house or bought in will be based on an appraisal of the cost and likely quality outcomes for each option. Where the preferred option is for a service to be bought in, consideration is given to as wide a range of alternatives as is appropriate for that service (including the voluntary sector, other public sector providers and the private sector). It may be suitable in different cases to:

- buy in selective elements
- contract the entire service out (with or without an in-house bid)
- form a joint venture or partnership (following competition for an external provider)
- dispose of or sell off competitively the service and its assets to another provider.

5.4.5 A flow diagram reproduced from the Service Review Guide (Annex A) illustrates the Council's approach to competition.

5.4.6 The preferred option will be the one that overall:

- promotes best value for money for the Council Taxpayers.
- offers the best balance between savings and quality improvements at the optimum cost of achieving this.
- minimises uncertainty for staff.
- provides the best long term opportunities for staff.
- discourages the operation and price-fixing of cartels.

5.5 **Non-strategic procurement**

5.5.1 Procurement falling into this category will generally not require the establishment of a project group or a feasibility report to Committee.

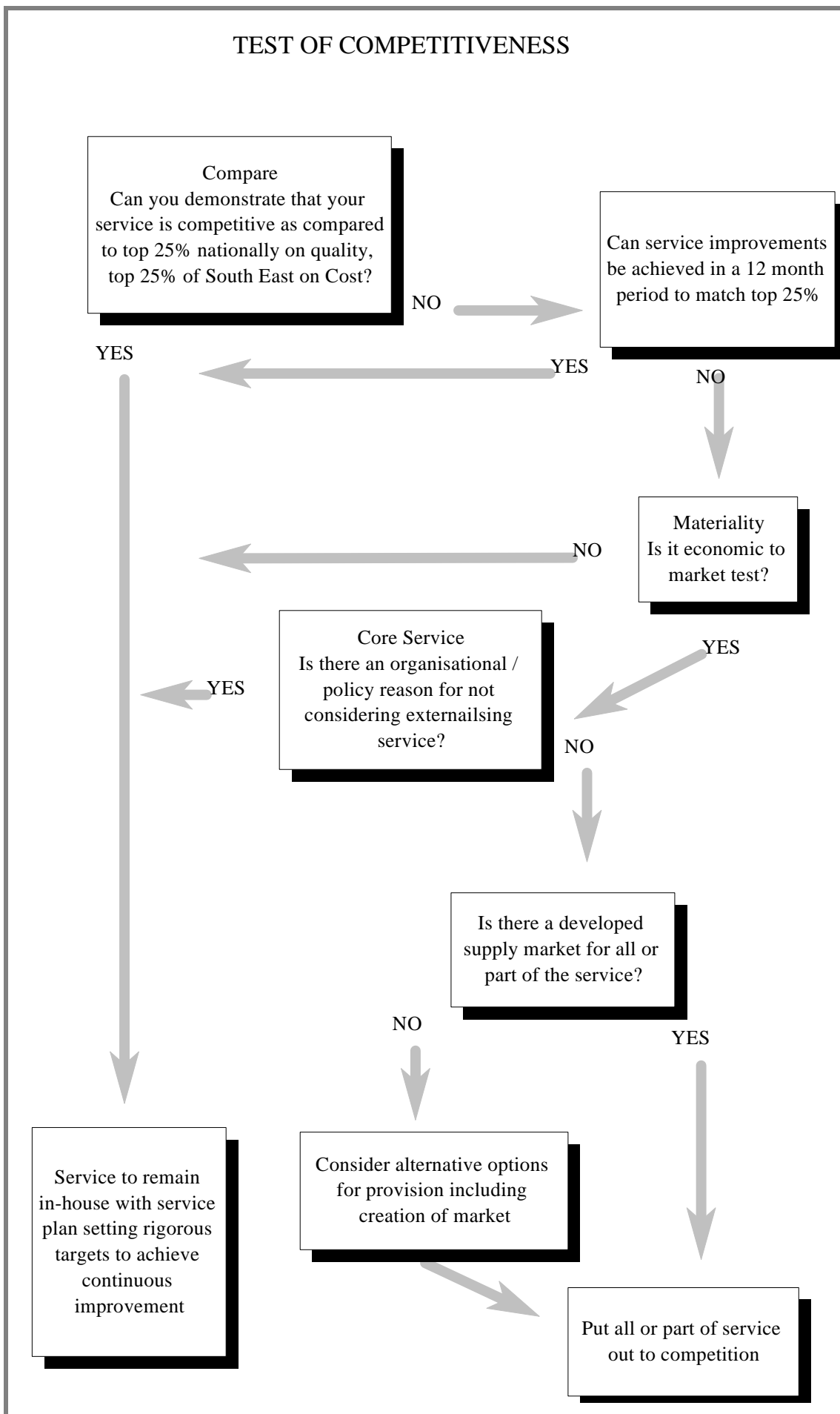
- 5.5.2 The option appraisal for leverage items shall follow that of Strategic Procurement. A formal record should be kept of the assessments made in order to demonstrate the transparency of the process.
- 5.5.3 Where the procurement of leverage items involves more than one department, this will be co-ordinated corporately:-
- The supply of gas, electricity and water contracts is the responsibility of the Building Services Manager.
 - Office consumables, office furniture and cleaning supplies is co-ordinated by the Purchasing Officer.
 - The procurement of IT consumables is the responsibility of the IS Manager.
 - The procurement of telephones and mobile telephones is the responsibility of the Office Manager in the Department of Administration and Leisure.

These procedures are designed to achieve economies of scale, the application of specialist knowledge to the procurement process and the avoidance of additional costs that would be incurred if each department were to seek quotes and order for these items.

- 5.5.4 All routine procurement will follow the general principles of this strategy with adequate records being kept. Further guidance is provided in the booklet "Contract Standing Orders – Explanation and Guidance" and in the procurement section of the Council's web-site.

5.6 **Prompt Payment**

The Council recognises that an important factor in promoting a good and enduring relationship with external providers of goods and services is the prompt payment of invoices that are properly due for payment. It is also a mark of social responsibility. The Council has approved a prompt payment policy and this is set out in the Council's Financial Regulations (Part 4 of the Constitution). Paragraph 16.4 of the Regulations requires Officers to comply with this policy.



*Extract from the Runnymede Borough Council Environmental Activities Review***10. ENVIRONMENTAL PURCHASING POLICY****10.1 Recycled Products**

Overall the Council's policy is to purchase recycled materials wherever possible, and to try to ensure those products purchased are capable of being recycled themselves eventually
Printing and photocopying paper, committee report paper, paper towels and cleaning rags are made of recycled materials. Toner cartridges and gas bottles are refilled.

10.2 Non-Sustainable Products and others which harm the Environment

Products may be environmentally damaging at various stages of their life cycle:

- *extraction/harvesting of the raw material, e.g. tropical hardwoods*
- *the production process, e.g. manufacture of chlorine bleached papers or solvent based paints*
- *in use, e.g. energy inefficient equipment; cleaning materials can pollute water*
- *on disposal, e.g. batteries containing heavy metals which pollute ground water*

Deciding which products are more environmentally friendly than others is not always clear cut. Often it is necessary to weigh good and bad aspects of a product. However, there are some products generally agreed to be more environmentally friendly than others.

There is general presumption against the purchase of materials which are either non-sustainable or directly harm the environment and this will include tropical hardwoods, C.F.C.s, *lead-based paints*, persistent herbicides and pesticides. There is a presumption against the purchase of peat wherever alternative composts can be used.

(i) Use of pesticides

All pesticides used by the Council and its contractors comply with the Control of Pesticides Regulations 1986 and are only applied by fully trained personnel who hold certificates of competence granted by the Ministry of Agriculture, Fisheries and Food.

Wherever possible the use of pesticides and herbicides has been reduced in order to reduce the contamination of local water supplies. The Council recognises that this requires the acceptance that some weeds are better than polluted water.

(ii) Use of weedkillers

Only non-persistent products are used. Wood preservatives containing pentachlorophenol, lindane or tributyltin oxide (T.B.T.O.) are avoided as are the use of atrazine and simazine as total weed killers. No chemicals on the "U.K.'s red list and E.Cs black list" are permitted.

(iii) Use of artificial fertilisers

Use is generally restricted to the Council's bowling greens and cricket squares and use will be further reduced where suitable alternatives exist. It is recognised that artificial fertilisers are associated with increased nitrate pollution of lakes and rivers leading to a reduction in aquatic life and pollution of water supplies.

(iv) Use of peat

No peat is used in the Council's parks and gardens and the use of compost has increased. This is in recognition that the world's peat bogs are being reduced at an alarming rate so destroying valuable wet land habitats and releasing carbon dioxide - the principal green house gas.

(v) CFCs

The Council recognises that C.F.Cs are the most powerful of the "greenhouse gases" and directly associated with destruction of the ozone layer of the earth's atmosphere.

Refrigerators and freezers are collected in special collections, are taken to an outlet for recycling of C.F.Cs and not for direct disposal to landfill.

Building insulation - there is a presumption against the use of blown C.F.C. foam insulation in Council building contracts as alternatives such as mineral wool are readily available. This will be specified at the tender stage.

(vi) Cleaning products

Preference should be given to biodegradable products and non-chlorine and non-phosphate-based products.

10.3 Energy efficient products

When replacing equipment, preference should be given to energy efficient materials: for instance EnergyStar computers, photocopiers with a low stand by power consumption and printers with a duplex function.

Low energy light bulbs should be preferred as they on average use 20% of the energy and last up to ten times longer than conventional bulbs.

10.4 Packaging

Purchase of over-packaged goods should be avoided.

Where possible suppliers should be encouraged to re-consider their packaging practices by reducing, re-using or recycling the packaging material and by using packaging made from recycled materials.

10.5 Selection of suppliers

Environmental considerations should be taken into account when assessing new suppliers. Where quality and value for service are equal, preference should be given to suppliers with an environmental management system in place or to those businesses that have started considering their environmental performance.

The use of local suppliers should also be encouraged, in order to reduce transportation implications.

[Source: Runnymede Borough Council Environmental Activities Review, March 2001]

USEFUL LINKS

Sustainability and local government procurement

Published by the IDeA, this guide explains how local authorities can develop and implement a sustainable procurement policy and a risk-based strategy designed to tackle the categories of spending that have the greatest environmental and social impacts.

<http://www.idea.gov.uk/procurement/sustainability.pdf>

Procurement essentials

A quick reference guide for local government officers, describing the essential features of modern procurement practice in local government

<http://www.idea.gov.uk/procurement/essentials.pdf>

Delivering e-Procurement National Project – Solutions Glossary

An overview of the different e-procurement solution types available.

<http://www.idea-knowledge.gov.uk/80256DA5005D7772/httpPublicPages/4CB8924644A4135A80256DA600577742?opendocument>

Contact NePP at: <http://www.nepp.org.uk>

Doing Business Electronically

This Guidance Summary is designed as an action planning tool that will enable you to understand what you have to do to achieve the Government targets for e-procurement and take full advantage of the benefits of e-procurement.

<http://www.idea-knowledge.gov.uk/idk/aio/70820>

National Procurement Strategy for Local Government

This was published in October 2003 and can be viewed on the ODPM web-site at

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/downloadable/odpm_locgov_024923.pdf

Buy IT Best Practice Network

<http://www.buyitnet.org>

The Office of Government Commerce

<http://www.ogc.gov.uk>

The Society of Procurement Officers

This lists useful links to other sites:-

http://www.sopo.org/resources/links/sopo_links.htm

Evaluation of the Local Government Procurement Agenda: Baseline survey report

A report commissioned by the ODPM on progress in achieving the objectives of the National Procurement Strategy, published in August 2005:-

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/downloadable/odpm_locgov_039942.pdf

MATRIX OF PROCUREMENT ACTIVITIES

Goods or Service	Existing Procurement Arrangements	Matrix Analysis
Advertising	Traditional quotation / tendering exercise	Medium value/low risk/leverage
Agency Staff	Traditional quotation / tendering exercise / SCC contract	High value/medium risk/leverage
Cleaning	Traditional quotation / tendering exercise	Medium value/medium risk/routine
Computer Hardware - Personal	Procured using OGC Buying Solutions	Medium value/low risk/leverage
Computer Hardware - Network	Traditional quotation / tendering exercise / OGC Buying Solutions	Medium value/medium risk/routine
Computer Software	Traditional quotation / tendering exercise	High value/high risk/strategic
Construction Contracts	Mixture of traditional quotation / tendering exercise and use of Constructionline - external providers	High value/ high risk/strategic
Consultancy	Traditional quotation / tendering exercise - external provider	High value/low risk/leverage
External Printing	Traditional quotation / tendering exercise - external provider	Medium value/low risk/leverage
Furniture	Traditional quotation / tendering exercise	Low value/low risk/routine
Insurance	Traditional quotation / tendering exercise	Medium value/high risk
Lease Cars	Traditional quotation / tendering exercise	Medium value/low risk/leverage
Mobile Phones	OGC Buying Solutions	Medium value/low risk/leverage
Photocopiers	Traditional quotation / tendering exercise	Low value/low risk/leverage
Property Maintenance	Traditional quotation / tendering exercise - external providers	High value/medium risk/bottleneck
Refuse contract	Traditional quotation / tendering exercise - in-house provider	High value/high risk/strategic
Stationary Supplies	Traditional quotation / tendering exercise	Low value/low risk/routine
Street Cleansing	Traditional quotation / tendering exercise - in-house provider	High value/high risk/strategic
Utilities	OGC Buying Solutions / LASER	Medium value/medium risk/leverage
Vehicle provision	Traditional quotation / tendering exercise	High value/medium risk/bottleneck

Key

Low value = £0 to £10,000

Medium value = £10,001 to £100,000

High value = over £100,000

RISK MANAGEMENT STRATEGY FOR MAJOR CONTRACTS

- 1.1 All major procurements should be adequately planned and due consideration given to the resources required to achieve completion within the desired timescale. A procurement plan shall be prepared for each project at the outset. The plan should indicate the timetable for key stages (e.g. budgetary approval), the resources that are required (e.g. staff time, consultants and funds), and the proposed management and monitoring arrangements.
- 1.2 Project managers should ensure that effective lines of communication are established at the outset, and are maintained throughout the contract process, to ensure an adequate and regular dialogue between the client representative, stakeholders, and the service provider. This should include regular progress meetings with contractors at which method statements, health and safety and the time, cost, and quality of work are consistent agenda items.
- 1.3 An officer should be designated at the outset for each contract with the responsibility, and sufficient authority, for ensuring that the contract is adequately managed and monitored and that service delivery adheres to all relevant current legislation and health and safety requirements. Where appropriate, this person should be involved in the pre-contract process of tender development (e.g. preparation of specification).
- 1.4 Effective and efficient methods of contract monitoring and reporting shall be established throughout the contract. Such methods should include monitoring of programme, costs and service delivery against specification, and shall be proportionate to the cost and risks involved.
2. When planning a procurement, consideration should be given to what can go wrong:-

	Issue	Matters to consider
1.	Supplier does not perform/withdraws	<ul style="list-style-type: none"> • Penalties • Liquidated damages • Bond • Financial appraisal of tenders • Financial check of tenderers • Obtain references • Contract enforcement
2.	Costs exceed contract sum	<ul style="list-style-type: none"> • Adequate specification • No ambiguity about what is included in the contract • If appropriate, adequate budgetary provision for contract additions • Contract monitoring
3.	Supplier creates a bad reputation for the Council (environmental, attitude, appearance etc)	<ul style="list-style-type: none"> • Specification • References • Contract enforcement • Contract monitoring • References • Training • Equality policy
4.	Supplier attempts to conceal work that is not fit for purpose or does not comply with specification	<ul style="list-style-type: none"> • Specification • Contract monitoring •
5.	Financial impropriety	<ul style="list-style-type: none"> • Declarations of interest • Contract monitoring • Financial control • Audit

- 2.2 Procedures established for letting and managing major contracts should be appropriate to the risks that have been identified.
- 2.3 All identified risks should be managed and allocated to those most able to manage them.