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MALDON DISTRICT COUNCIL

COMMISSIONING AND PROCUREMENT STRATEGY



MALDON DISTRICT
COUNCIL

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Maldon District Council Procurement Strategy

1 INTRODUCTION

- 1.1 The local government procurement landscape is changing; this strategy document aims to clarify Maldon District Council's approach to Procurement activity within this changing environment.
- 1.2 Since the last strategy was adopted in 2012 a number of new external influences have been taken into account, including:
- Public Services (Social Value) Act (2012).
 - The current draft of the National Procurement Strategy (due to be operational from late 2015).
 - Public Contract Regulations (2015).
- 1.3 Maldon District Council ('the Council') spends approximately £7 million on the procurement of goods, works and services. This strategy outlines the Council's current method of undertaking procurement and seeks to lay foundation for the future way in which procurement is addressed. This strategy is a 'living' document that will be updated at regular intervals in accordance with Council policy or through statutory amendments.
- 1.4 The Leadership Team are responsible for ensuring that the principles of this strategy are adopted and to promote its implementation within their own service area. Members are expected to use this strategy as a sense-check to review officer procurement decision-making through the relevant committees.

2 WHAT IS SUSTAINABLE COMMISSIONING AND PROCUREMENT?

- 2.1 **Commissioning** – the whole process of deciding what services are needed, their priority, and choosing what, why, how and where to allocate resources to provide them.
- 2.2 **Procurement** – the acquisition of goods, works and services which meet the customers' and service users' needs, whilst ensuring value for money throughout the life of the product including disposal.
- 2.3 **Sustainable procurement** – the acquisition of goods/works/services in a way that achieves value for money on a whole life basis by not only generating benefits for the Council for our communities and economy whilst minimising environmental damage.
- 2.4 **Value for Money** – also often described in terms of the 'three Es' – economy, efficiency and effectiveness:
- **Economy** – careful use of resources to save expense, time and/or effort.
 - **Efficiency** – delivering the same level of service for less cost, time and/or effort.
 - **Effectiveness** – delivering a better service or getting a better return for the same amount of expense, time and/or effort.

- 2.5 Procurement is the method by which all goods, services and works are acquired. This includes everything from day to day purchases of consumables through to the acquisition of strategic services and works irrespective of value. However, procurement is more than just buying goods, works and services – it plays an increasingly strategic role in the way we deliver services.
- 2.6 In Public Procurement there are generally three procurement categories: goods, works and services.
- 2.6.1 Goods are physical products purchased or manufactured on request. There is usually an element of service involved, such as when the agreement is for the purchase of goods to be assembled and/or installed. However, the extent of the service provided is directly related to acceptance of the goods purchased. Typical examples of goods are: office supplies and equipment, furniture, IT equipment, books, vehicles, medical supplies and other commodities.
- 2.6.2 Works are related to civil works; this includes new construction of structures of all kinds (buildings, highways, bridges, etc), renovations, extensions, and repairs. This category can also include, water and sanitation, transportation and electrical plant infrastructure.
- 2.6.2 Services are classified as consulting services and non-consulting services. In some cases, they are simply classified as services because of the difficulty, at times, in clearly determining the difference. The distinguishing factor between the two, however, is the degree of importance of the measurable physical output of the requirement.

Consulting services are usually intellectual in nature and are considered technical services the output of which is not equipment intensive. Advisory and project related services are typical consulting services; which includes: feasibility studies, project management, engineering services, finance and accounting services, training and development, to mention a few.

Non-consulting services, on the other hand, usually involve the used of equipment and specific methodologies to achieve their objectives. Some typical examples of non-consulting services are: equipment maintenance and repair, operation and maintenance services, utility management, installation and maintenance services, surveys and field investigations, and similar.

- 2.7 Procurement should challenge existing service delivery models, and identifies and delivers the right future model of service provision.
- 2.8 The aim of effective procurement is to achieve best value through planned and skilful procurement, in respect of all goods, works and services sought by the Council. Also to support and encourage a vibrant local supplier market, remove barriers to trade for small to medium enterprises and voluntary organisations (such as splitting larger requirements into Lots) and giving appropriate consideration to Social Value.
- 2.9 Officers of Maldon District Council are required to comply with internal Contract

Procedure Rules as well as external laws, regulations and policy guidance at all times, in every procurement exercise regardless of contract value.

3 STRATEGIC OBJECTIVES

3.6 The Procurement Strategy supports the Council's Corporate Plan. At a general level, procurement of goods, works and services assists in delivering the Council's strategic objectives and statutory responsibilities:

- 3.6.1 by ensuring procurements reflect relevant sustainability and environmental issues and ensure procurement processes support and reflect the aim of protecting our environment for future generations;
- 3.6.2 by ensuring procurement guidance is clear and simple, and that relevant contracts are advertised and accessible to all. The procurement processes used do not unfairly limit the opportunity to bid for Social Enterprises/Third Sector organisations;
- 3.6.3 provide feedback to bidders to support the development and overall competitiveness of these organisations;
- 3.6.4 by encouraging an effective local supplier market and the promotion of local social value in contracts (such as the creation of apprenticeships and local supply chains);
- 3.6.5 by aiming to ensure each procurement encapsulates the best value solution for the District. Using the procurement cycle to assist in identifying improvements to services and support the delivery of value for money services. To eliminate anything that does not add value to the procurement; and
- 3.6.6 by working closely with partner organisations such as the Essex Procurement Hub, East of England LGA, and the Procurement Agency for Essex and other partnership groups to deliver savings and efficiencies through collaboration.

3.7 Other Corporate documents linked to this Strategy:

- 3.7.1 Business Plan
- 3.7.2 Financial Regulations
- 3.7.3 Contract Procedure Rules

Links between this policy and our Corporate Priorities

3.8 This policy supports our Corporate Priorities in the following way:

3.8.1 Enable communities: We will engage with all parts of our communities, including Parish Councils, businesses and our residents to encourage the most efficient way to provide services by:

3.8.1.1 Seeking to secure the best outcomes for the local community by making use of all available resources – without regard to whether services are provided in-house, externally or through partnership arrangements.

3.8.1.2 Continuously improving services through the adoption of innovative practices so that service users see an improvement in both quality and value for money.

3.8.1.3 Adopting a collaborative approach to procurement by participating in framework contracts.

3.8.1.4 Ensure we engage the diverse needs of the Community.

3.8.1.5 Improving understanding of procurement and commissioning for both internal and external stakeholders.

3.8.2 Early Intervention: We will promote the safeguarding of our young and vulnerable residents by

3.8.2.1 Ensuring that arrangements are in place with contractors to safeguard children and vulnerable adults in accordance with legislation (existing contracts).

3.8.2.2 Ensure that the Councils procurement process required suppliers to comply with safeguarding requirements (new contracts).

3.8.2.3 Monitoring and reporting compliance with procurement policies and procedures.

4 PROCUREMENT RESOURCE

4.6 Maldon District Council is a small District Council with limited resources and it is not feasible to employ a full-time professionally qualified procurement resource.

4.7 The Essex Procurement Hub (EPH), hosted by Braintree District Council, was joined in April 2014 and provides procurement expertise for all aspects of procurement at Maldon. The shared service, which has six members, ensures Maldon has access to a fully qualified procurement professional for two days a week. In addition to being used to undertake high value and high risk procurements, this resource also helps Maldon to provide guidance, a toolkit and training opportunities to all officers of the Council involved in procuring goods and services.

5 GOVERNANCE AND RESPONSIBILITY

5.6 Procurement of goods, works and services across the Council has to be carried out within a number of controls including legislative and governance issues. In addition the Council has other policies, which must be adhered to as part of any procurement activity.

5.7 The Council will ensure that our procedure rules continue to be relevant and are compliant with EU regulations. The Council will hold the highest principles of fairness, transparency and openness within all procurement activity.

5.8 The key control over procurement activities is the Council's Contract Procedure Rules (CPRs), which set out the rules governing all aspects of procurement activity and outlines procedures to be followed for procurements that fall within set levels of spend. These are attached to this policy, Contract Procedure Rules.

5.9 The Director of Resources has overall strategic responsibility for procurement at Maldon, whilst operational responsibility lies with Managers.

5.10 Training is made available to staff engaged in Procurement. Procurement workshops are run in conjunction with the Essex Procurement Hub.

5.11 All the Official Journal of the European Union (OJEU) procurement projects must have sign off at PQQ in full and evaluation provided by Financial services and Procurement Consultant. .

5.12 All procurement must consider responsibilities and requirements for:

5.12.1 Safeguarding

5.12.2 Sustainability

5.12.3 Equalities

5.12.4 Social Value

5.12.5 Health and Safety

5.13 The Project Initiation Document (PiD) should allow considerations to be identified and assessed at the pre-procurement stage.

5.14 All procurement of contracts with a value of above £25,000 must have designated performance management criteria determined at the start of the contract, the results of which must be reported back to Members in June each year as part of the Annual Performance Monitoring of contractors.

6 E-PROCUREMENT

- 6.6 The National Procurement Strategy (NPS) places certain responsibilities on all Councils which includes use of e-procurement and the consideration of social value in procurement.
- 6.7 The Council has deployed Essex Marketplace solution for electronic ordering of goods and services.
- 6.8 The Council is using its website to promote good practice.
- 6.9 To support the delivery of this strategy the Council will continue to utilise electronic procurement systems. Electronic procurement systems can achieve efficiencies in the procure-to-pay cycle including reduction in processing time and reduction in transaction costs. This will help free resources that can be directed into front line services.

7 SUSTAINABLE PROCUREMENT

The Environment

- 7.6 We also will require operators of (*significant*) contracts to adopt whole life-cycle thinking in the delivery of services on the Council's behalf. Where relevant, examples may include the purchase and use of vehicles, equipment, energy, water and chemicals.
- 7.7 One of the goals of the Council's Climate Change Commitment is to lead the local community in minimising its environmental impact. Through green procurement the Council is setting an example and influencing the market-place by providing industry with real incentives for developing green technologies.
- 7.8 Sustainable procurement is the process of acquiring goods, works and services from a supplier that provides the optimum combination of whole life costs and benefits to meet the customer's requirement. In order to achieve this we will:
 - 7.8.1 Account for environmental aspects of a product alongside societal and economic aspects in the tendering process. Deliver appropriate training for purchasing staff, ensuring access to environmental information.
 - 7.8.2 Adopt a life-cycle thinking approach to avoid shifting environmental impact. Products with Eco-labels should be purchased wherever possible.
 - 7.8.3 Develop an energy efficiency standard for the procurement of electrical goods.
 - 7.8.4 Encourage an ethic of reduce, reuse, recycle amongst purchasing staff. New cars purchased for the Council Fleet should have the lowest emissions standard possible whilst remaining fit for purpose.

The Community

- 7.9 We will encourage a diverse and competitive supply market by ensuring that local businesses are given an equal opportunity to participate in competition for Council business, whilst still maintaining a competitive supply market by:
- 7.9.1 Encouraging local businesses to register with Contracts Finder.
 - 7.9.2 Providing clear advice and guidance to local businesses about how to bid for the Council's work.
 - 7.9.3 Encouraging the employment of local labour by the Council's successful contractors.
 - 7.9.4 Ensuring contracts are structured so as not to prejudice local businesses.
 - 7.9.5 Exploring how to better engage with ethnic, disabled and other minority group suppliers.

8 PARTNERING AND COLLABORATION

- 8.6 The Council defines partnering as the creation of sustainable, collaborative relationships with suppliers to deliver services, carry out projects and acquire goods.
- 8.7 Collaboration is the process of working with other authorities or agencies to combine buying power and leverage based on higher levels of spend, to gain more favourable pricing and terms from suppliers when procuring goods, works or services.
- 8.8 The Council welcomes partnerships with other agencies which share its community and corporate aims. Therefore, to exploit these, the Council will:
- 8.8.1 Include partnership options when undertaking service reviews and other appraisals.
 - 8.8.2 Through the EPH and in collaboration with neighbouring authorities develop sub regional and local procurement programmes and combine procurement options for the management of contracts as well as provision of services, works and supplies.
 - 8.8.3 Support the voluntary sector to engage with the Council and explore the potential for partnerships with local voluntary sector agencies interested in the provision of services for local people.
 - 8.8.4 Explore partnering opportunities with other agencies for significant construction projects.

9 CONDUCTING PROCUREMENT ACTIVITY AND RESOURCES

Social Value

- 9.6 The Social Value Act requires service related procurements over the EU threshold to consider social value. The act requires considerations to be proportionate and relevant to the particular requirement therefore where appropriate, the Council will use the full procurement cycle to consider how to improve the economic, social and environmental well-being of the District.
- 9.7 Considerations can be built in to the procurement process and could include adapting evaluation criteria or a requirement for contractors to support an apprenticeship scheme.

Equality

- 9.8 Procurement processes and documentation will reflect the Council's Equalities and Diversity Policy.
- 9.9 The Council will work with partners and suppliers to ensure that suppliers are, as a minimum, compliant with the relevant legislation, both at the inception of contracts and through their effective life.

Safeguarding and Health & Safety

- 9.10 All services commissioned by the Council are required to operate within the requirements of the Council's Safeguarding Children and Vulnerable Adults policy. Where relevant, contractors will need to demonstrate that they meet these requirements.
- 9.11 Procurement activity will be treated proportionately to the health and safety risks which arise from the contract. Potential risks will be assessed and contractors must provide evidence to demonstrate that their organisation actively promotes and manages health and safety.

Sustainability

- 9.12 Any procurement decision will aim to minimise harm to the environment and to promote conservation of natural resources.

Forward Planning

- 9.13 Forward Planning, particularly of major expenditure, is essential to maximise the potential savings through efficient and effective procurement.
- 9.13.1 Forward planning will be a key focus within the procurement cycle, particularly within the 'contract management', 'identification of need' and 'analysis of the requirement' stages.
- 9.13.2 Specifications where possible should be output based. Output based specifications will allow greater flexibility of design and support innovation throughout the supply chain.
- 9.14 Planning annual procurement activity in advance will enable the Council to become a more efficient buyer of goods, works and services.

Relationships with Suppliers

- 9.15 Effective procurement is measured by the outcomes and not by the completion of the process.
- 9.15.1 Contracts will be managed throughout their life to ensure that the benefits identified in the business case are delivered. Regular review meetings with incumbent suppliers are crucial in ensuring that set Key Performance Indicators and Service Level Agreements are achieved and maintained.
- 9.15.2 The Council will expand the use of contract management and build on areas of current best practice.
- 9.15.3 Risk registers shall be prepared for all major procurement processes in accordance with the Risk Management Strategy and will be revisited at key milestones in the procurement process and throughout the life of the contract.
- 9.15.4 When suppliers and contractors handle information on behalf of the Council, where possible, we will ensure that equivalent standards are applied or seek to influence our supplier's and contractor's standards.

Data Protection

- 9.16 The Council will expect Contractors to have appropriate information/data handling policies/procedures in place to handle confidential and commercially sensitive information, including personal and sensitive data, to ensure compliance with the Data Protection Act 1998.
- 9.17 The Council will ensure that all relevant Contracts include provisions relating to the ownership and control of any Intellectual Property created for, during and at the end of a contract.

Information Requests

- 9.18 Maldon District Council is a relevant authority for the purpose of the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. The Council will expect that Contractors will support and assist the Council in discharging its obligations in responding to requests for information.

Our Conduct

- 9.19 In all our dealings in the procurement process, the Council will preserve the highest standards of honesty, integrity, impartiality and objectivity and shall comply with the Council's Codes of Conduct at all times.
- 9.20 In selecting contractors the Council will generally evaluate offers received on the basis of the most economically advantageous tender (MEAT) and will take into account, where appropriate, whole life costing seeking an appropriate balance between cost and quality.
- 9.21 In any procurement the Council will ensure that its approach to the market is consistent with these principles.

10 PERFORMANCE MEASURES AND TARGETS

- 10.6 Efficiencies gained through the adoption of procurement best practice when monitoring both our existing and future providers in support of overall Value for Money (VFM) can be redistributed to support long term sustainability of front line services.
- 10.7 Projects are monitored through the monitoring of Business Plan progress. Significant projects and exemptions are reported to members.

APPENDIX C – GLOSSARY OF COMMONLY USED PROCUREMENT TERMS AND ACRONYMS

Best Value: Often defined as ‘value for money’, Best Value is the optimum combination of whole life costs and quality to meet the customer’s requirement.
(Source: Draft Joint note on social issues in purchasing 2005)

Collaboration: In this context, public sector organisations that engage in a joint procurement for works, services or supplies with the intention of obtaining better value for money through economies of scale and reduced tendering costs.

Commissioning: Commissioning is a broad concept and there are many definitions, the following definition from the Audit Commission perhaps best captures the key elements of the commissioning tasks: *“Commissioning is the process of specifying, securing and monitoring services to meet people’s needs at a strategic level.”*

Competitive Tendering: Awarding contracts following a process of obtaining competing tenders.

Contract: A binding agreement between two or more parties that is enforceable in law.

Contract Management: The activities of a buyer before, during and after a contract period to ensure that all parties to the contract fulfil their contractual obligations. An important aspect of this is managing the relationships between all parties in the most effective way so as to ensure the contract meets the optimum combination of cost, time and quality.
(Source: Adapted from CIPS definition in the contracts management Knowledge Summary)

E-Procurement: is the ability to purchase/sell through electronic trading via the Internet.

Evaluation: A detailed assessment and comparison of offers made by the Council in accordance with published criteria of responses to a request for quotations or tenders.

Framework Agreement: A framework agreement is a general term for agreements with suppliers which set out terms and conditions under which specific purchases (call-offs) can be made throughout the term of the agreement.

Invitation to Tender (ITT): A formal document inviting an organisation to tender to provide services or, supply goods to or carry out works for the Council. It will include the instructions for submitting a tender, the specification for the requirement, the criteria against which the tender will be assessed, the proposed terms and conditions for the contract and, sometimes, a business questionnaire.

Key Performance Indicator (KPI): KPIs are placed against certain elements of a contract or SLA and indicate the items that are to be measured to see if the contractor has achieved the required contract standard.

MEAT: Most Economically Advantageous Tender.

Method Statement: A document used in the invitation to quote or to tender which sets out specific questions for the bidder to answer to explain to the Council how a service is to be delivered/works to be carried out. It will be evaluated and form a part of the contract.

Official Journal of the European Union (OJEU): The on-line publication in which notices advertising a Council tenders that fall within the EU thresholds must be placed at the start and end of all the procurement.

Pre-Qualification Questionnaire (PQQ): A document asking the tenderer to provide information about his/her business and experience. Most commonly used in EU level procurements.

Procurement: Often used interchangeably with Purchasing. Procurement is the totality of acquisition starting from the identification of a requirement to the disposal of that requirement at the end of its life. It therefore includes pre-contract activities e.g. sourcing and post contract activities e.g. contract management, supplier relationship management activities. Procurement generally relates to goods, works and service(s) requirements.

Public Procurement Directives: The EU procurement Directives set out the legal framework for public procurement. They apply when public authorities and utilities seek to acquire goods, services, and works. They set out procedures which must be followed before awarding a contract when its value exceeds set thresholds.

Quotation: An offer by a supplier to supply goods or services or to carry out works requested either orally or in writing.

Regulations: The Public Contracts Regulations 2006 that implement the various EU Procurement Directives

Risk Management: Involves three key activities, risk analysis, risk assessment, and risk mitigation, all of which facilitate the taking of decisions and actions to control risk appropriately by providing a disciplined and objective approach.

(Source: www.cips.org Knowledge Summary on risk management)

SME: In this context Small and Medium Enterprises (businesses).

Specification/Statement of Requirements: A description of the requirements for the service or of the service to be provided.

Supplier Relationship Management: (SRM) is the discipline of strategically planning for, and managing all interactions with contractors that supply goods and/or services in order to increase the value of those interactions. In practice, SRM entails creating closer, more collaborative relationships with key suppliers in order to uncover new value and reduce risk.

Tender: The offer submitted by the tenderer in response to the Invitation to Tender.