

**LONDON BOROUGH
OF
RICHMOND UPON THAMES**

INTERIM PROCUREMENT STRATEGY

2010 - 2015

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version 1

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1.0 EXECUTIVE SUMMARY

1.1 Introduction

Procurement is about the acquisition of goods, works and services, primarily through external third parties. It is an integral part of the commissioning cycle, which represents the whole life-cycle from the identification of need through to the end of a service contract or disposal of an asset.

Our current procurement strategy was drafted in 2004 and although substantial progress has been made in the intervening years there are now new challenges and a different context and vision that need to be captured in a new strategy for the next 5 years.

Our new strategy coincides with the wider need for council transformation in response to well understood efficiency and budgetary challenges in the public sector at this time. We also need to move corporate procurement from a position of competence to one of excellence. This will require a different vision for how we manage and resource it across the council.

It follows that this strategy should take a transformational approach to procurement in response to these major challenges. To achieve this it needs to take account of how the procurement function integrates with wider commissioning and project management functions across the council.

There have been a number of reviews of corporate procurement over the last 2 years, both internally and externally led exercises. The current efficiency challenge, which is being supported by PWC, is also looking at corporate procurement and therefore this strategy reflects some of the thinking that is emerging from that process. However, as that review process is not yet complete this strategy must be considered as interim and subject to further development in light of final outcomes.

Since the last strategy was adopted we have achieved notable successes including:

- A wide range of corporate savings
- Greater integration/collaboration between the central procurement unit and departments, with enhanced support to those departments

- Much improved corporate data on contracts
- A successful start to building capacity across the council through a formal training programme
- Working with SMEs and the voluntary sector to improve their capacity to work with and bid for council work
- Greater collaboration with other London boroughs
- Introduction of a Contracts Board to oversee progress on contracts throughout the commissioning cycle
- Introduction of purchasing cards for low value, high volume purchases
- Introduction of a neutral vendor agency staff contract to manage all of our agency staff appointments
- The integration of the central procurement team with the Adults Contracts group

1.2 Procurement Vision

This strategy provides a framework for the development of the procurement function and improvements in the procurement culture of the organisation so that it is better able to meet the needs of the residents of Richmond upon Thames and other service users

It will focus on value, efficiency, organisation and an improved reflection of council values. It will:

- Focus on value for money and efficiency at a time of reduced resources
- Deliver a more strategic approach to procurement, on big-ticket items in particular, characterised by specialisation in broad categories of spend.
- Support the necessary changes to operational structures, roles and responsibilities
- Improve customer satisfaction
- Support a review of available skills and promote extensive training to build a more effective organisation for managing all aspects of the commissioning cycle.
- Support a move to automated processes for electronic purchasing, receipt and payment, spend analysis and tendering, wherever there is a clear business case.
- Build on our success in collaborating with other organisations
- Enhance our ability to monitor and manage our external contracts
- Deliver sustainable procurement solutions
- Protect the council's interests by maintaining compliance with internal and external regulatory frameworks

- Develop teams of valued procurement professionals across the council dedicated to excellence in the field, innovation and continuous improvement
- Raise awareness and commitment to achieving value for money across the council
- Put Richmond council in the credible position of being recognised as offering one of the best procurement services in London

1.3 Aims and objectives

The strategy looks ahead over a five year period, but will need to remain flexible to respond to changes to internal and external circumstances over that period.

It is not intended to identify, at this stage, a detailed work plan or organisational model, as this will be largely dependent upon the way in which resources are allocated and organised on conclusion of the efficiency challenge exercise, including that of corporate procurement. When drafted the work plan will be mapped to council objectives.

However, it does provide a route map for the delivery of various actions required to deliver the overall objectives of the strategy, and how they may be prioritised.

This strategy document takes account of:

- progress since the council's last procurement strategy was written,
- recent changes to best practice,
- changes to the legislative background,
- changes to the council's aims and objectives,
- government initiatives and drivers,
- the wider context of efficiencies and savings that the council will need to respond to,
- internal reviews into the operation of the corporate procurement model undertaken by the Head of Procurement, the IDeA and currently PWC as part of the council's efficiency challenge.

It aims to:

- Obtain best value from the Council's procurement expenditure
- Minimize the cost of procurement transactions
- Reduce the supplier base
- Explore partnership working with other similar organisations to exploit economies of scale, specialisation and efficiencies through collaborative working

- Encourage the active participation of Small and Medium Sized Enterprises (SME's), including local businesses through support and collaboration
- Encourage and support the role of the voluntary sector in the provision of services
- Encourage internal and external stakeholders to adopt appropriate environmental, social and ethical standards
- Adopt electronic procurement processes and automation where there are potential savings and efficiencies to be made.
- Improve internal and external communications and promote innovation by sharing information and best practice
- Enhance transparency and probity
- Develop improved corporate procurement structures that give effect to savings and efficiencies
- Encourage the development of collaboration and partnership working with all stakeholders in the supply chain
- Enhance the provision of data and performance information
- Provide a framework that provides for consistent decision-making and scrutiny in major procurement projects.

1.4 Summary of Strategy Drivers

The primary list of drivers that is shaping the procurement strategy include:

- External budgetary pressures
- Recent internal and independent reviews of the procurement function, including the PWC led efficiency challenge that point to a need for a transformation approach to the procurement function
- Increased imperative for collaboration with other organisations including possible integration with Richmond's PCT
- Expectation of improved performance from external assessors e.g. CAA inspection (use of resources)
- The need to focus procurement resources on a strategic commissioning approach
- The need to change the way in which the procurement function operates corporately, particularly in terms of how efficiently the current model works and how roles and responsibilities are managed within its component parts. The aim of these changes will be to promote specialisation, professionalism and consistency.
- Improving the risk management of major projects
- Changes to the way in which services will be delivered in the future, for example the challenge of delivering quality personalised services for borough residents
- The need to support ambitious changes with improved data collection and analysis through enhancements of our electronic systems.
- The need to respond to changes in the legislative and inspection regimes

2.0 BACKGROUND

2.1 Procurement Context

The Council has an overall estimated discretionary expenditure of approximately £120 million per annum on goods, works and services, excluding salaries, grants and the like. Of this approximately £55 million is currently spent with external third parties. This is likely to grow as a proportion of the total discretionary spend as further services are exposed to market testing in light of the financial pressures that the council will face in coming years.

The public sector, including local government, is expecting and preparing for increasingly difficult times in terms of budgetary provision. There is a stated expectation at a national level that procurement efficiencies will make up a high proportion of the inevitable budget reductions that will follow over the coming years. This strategy is substantially about preparing the procurement function for that purpose.

The procurement function needs to respond to a number of external inspection regimes, both corporately and within directorates, and be able to demonstrate that it is working effectively in the interests of the council and its service users. Similarly, the procurement strategy is influenced by national and regional guidelines and strategies.

Internally there is a range of influences and policies that must be addressed if the strategy is to fit with the overarching direction of council policy.

2.2 External Influences

National Procurement Strategy for Local Government - Key targets for completion, categorised under 4 themes:

- Providing Leadership and building capacity
- Partnering and collaboration
- Doing business electronically
- Stimulating markets and achieving community benefits

UK Government Sustainable Development Strategy – Securing the Future (March 2005) - Key priorities identified:

- Sustainable consumption and production
- Climate change and energy
- Natural resources and environmental enhancement
- Sustainable communities

Sustainable Procurement Task Force (SPTF 2006) - Key priorities for public sector procurement including:

- Developing the evidence base on sustainable procurement. Identifying priority areas with specific targets and key performance indicators
- Extend the range of mandated products reaching minimum environmental standards
- Work with key public sector suppliers to raise sustainability awareness and performance
- Ensure that public sector employees receive appropriate training
- Remove barriers and increase opportunities for increased sustainable procurement activity

Gershon Savings - A key national influence for change has been the impact of the Gershon report on Public Sector Efficiency 'Releasing Resources to the Frontline'. Key priorities for public sector procurement include:

- Better, more co-ordinated procurement and service delivery between public bodies,
- Overall savings in procurement costs.

This report has had significant influence on the Government's Comprehensive Spending Reviews and sets tough targets for efficiency savings to be gained from improved procurement practices.

The Local Government White Paper - Key priorities:

- Even greater savings and efficiencies
- Greater collaboration across the public sector in procurement and shared services;
- The use of alternative methods of delivery and a diverse and competitive marketplace.

Regional Improvement and Efficiency Partnerships (RIEP)

Replaced Regional Centres of Excellence with a remit to act as a "hub" to drive innovation and progress against regional priorities and to share information and knowledge in conjunction with other public sector bodies and support agencies.

A spin off from this has been the **London Procurement Strategy** from Capital Ambition.

Comprehensive Spending Review (CSR07) - Sets a vision for continuous and accelerated improvement in the Government's prioritised outcomes over the CSR07 period. The 2007 Comprehensive Spending Review (CSR07) has a stated ambition of ensuring that local government can better deliver high

quality public services, promote sustainable economic development, and empower individuals and communities. Key focus:

- driving forward the next stage of reform, including through a new performance management framework which defines the Government's top 30 priorities for the coming period
- total public spending over the CSR07 period rising from £589 billion in 2007-08 to £678 billion in 2010-11
- embedding value for money across government – with savings of at least 3 per cent a year over the CSR07 period, releasing £30 billion by 2010-11 to reinvest in key public services

CSR07 emphasises smarter procurement, value for money, collaboration (through shared services) and sustainable development.

New National Indicators for Local Authorities and Local Authority Partnerships: Draft for Consultation (Dec 07) - Sets targets for all authorities around procurement value for money and environmental sustainability, as part of the Comprehensive Spending Review announcement. The new set of 198 national indicators that will underpin the Council's new performance framework includes two key indicators that are relevant for procurement consideration:

- NI 179 - Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year
- NI 185 - CO2 reduction from Local Authority operations

2.3 Internal Influences

Corporate and Community Plan Objectives

These set the overarching vision and priorities for the council. The strategy needs to align itself with those aims and priorities.

The overall vision is for Richmond to be the best place in London in which to live, work and learn. For this reason sustainability, tackling disadvantage and promoting equality and diversity are at the centre of everything that the council does. Stated aims from the **community plan** include a Richmond upon Thames that is:

- Inclusive
- Puts protection of the environment at the core of its services and community life
- Delivers quality public services that truly reflect the needs of all its local people
- Addresses its challenges by harnessing the capacity of all its partners in the public, private, voluntary and community sector.

There are seven priority themes within the vision:

- Priority 1: Tackling disadvantage and inequalities
- Priority 2: Being the greenest borough in London
- Priority 3: Being the safest London borough for all our communities
- Priority 4: Growing up in Richmond upon Thames
- Priority 5: Creating a healthy and caring Richmond upon Thames
- Priority 6: Creating a vibrant and prosperous Richmond upon Thames
- Priority 7: Improving access and participation

The council's **Corporate Plan** sets out how it plays its part in delivery of that ambition.

The effectiveness of the procurement function will determine the proportion of allocated budgets and quality of resources that are available for front-line deployment to meet these aims.

2.4 How Our Procurement is Currently Organised

We currently operate a very devolved system of procurement across the organisation characterised by a small central procurement unit (CPU) of three FTEs, with responsibility for most procurement decisions being taken at the level of departments/services.

The role of the CPU is currently essentially confined to:

- Managing a range of corporate contracts
- Advising and supporting departments/services and schools/colleges
- Developing best practice, policy, strategy and guidance
- Undertaking projects that offer potential for savings.

As a consequence of the recent reorganisation the head of procurement now manages the Adults Contracts division and therefore the small corporate procurement unit at the centre is becoming increasingly stretched.

The CPU operates successfully within its remit with demonstrably high customer satisfaction ratings from surveys of service users. However, the devolved model and limited capacity at the centre means that the organisation:

- is not focussed on strategic spending
- cannot specialise to best effect
- has limited opportunity to support departments in depth
- has limited capacity to monitor the output of departments in terms of best practice and proper process
- is prone to allocate resources inefficiently between departments and the centre, i.e. inexperienced individuals are often involved in tendering

projects and/or rely on the centre, sometimes in a firefighting role. This can be an inevitable consequence of individuals undertaking tendering exercises infrequently in their work. At best this allocates time inefficiently and at worst incorrect processes lead to poor value for money or potential exposure to breaches of regulation.

- cannot pursue projects that require a degree of flexibility at the centre.
- cannot plan with a high degree of certainty.

The role of departments/services are primarily responsible for:

- identifying need
- consulting with stakeholders
- leading on the procurement strategy for the service project
- reporting into the political process
- developing the service specification and liaising with our legal service to ensure that the contract conditions appropriately reflect corporate and service requirements
- leading on the tender and evaluation process, contract award and post-contract management including performance monitoring and service review

The CPU supports aspects of this process, which can be extensive through to a light touch. The nature of that support depends primarily on whether they are invited into the process, the skills and experience available within the department, the urgency/risk associated with the process and the availability of resources within the CPU. The recent procurement reviews and current efficiency challenge process offer an opportunity to rethink and reorganise that relationship in a way that delivers strategic responsibilities to the centre and operational responsibilities to departments i.e. a more efficient division of skills and experience.

A Contracts Board has been established (detailed later in the report) that independently reviews contract performance for the council's larger and more significant contracts at different points in the commissioning cycle

2.5 Approach to Competition and Diversity in the Marketplace

The council is committed to a mixed economy model for service delivery and for undertaking works. The key objective is to deliver the highest quality goods, works and services at an affordable price however the service is delivered. The Council has embraced competition as a means of identifying the preferred provider.

However, in light of increasingly tight budgetary constraints it is likely that we will need to challenge which services are to be delivered internally, which externally and which can be delivered through a shared model with other organisations.

The rules governing procurement practice are set out in the Council's Standing Orders and Financial Regulations.

The approach taken to individual procurement projects will vary with circumstance but for significant or complex projects a business case approach should always be taken, which may include the preparation of both outline and full business cases. The business case should provide evidence of:

- Strategic fit
- An option appraisal
- An assessment of likely success / risk
- Budget allocation
- Value for money assessment.

The issue of when to go to external competition for significant projects and whether to include or exclude an existing internal service provider should be made at an early stage of every project using an options appraisal. This appraisal is sometimes known as the 'make or buy' decision and will simultaneously consider the model for taking the procurement forward. Such models include:

- Competitive tender
- In-house provision
- Public sector consortium
- Non-profit organisation
- Local authority company
- Local authority shared service
- Joint venture company
- Partnering contract
- Framework agreement
- PFI
- Concession or franchise
- Closure or disposal.

Open competition will usually be considered as the optimum approach to the procurement of significant projects that are not constrained by regulation. However, where circumstances dictate otherwise it is incumbent upon the lead officer for the contract to demonstrate to senior management and Members that another approach is in the council's best interests and that such an approach nevertheless meets UK and EU procurement regulatory requirements.

A healthy mixed economy of service provision is likely to result from this approach to competition and options appraisal.

2.6 Commissioning Cycle

The commissioning cycle extends from a project's inception to its closure and generally incorporates the notion of re-commissioning to close the loop. Its principal aspects include:

- Establishing needs/requirements
- Setting priorities and making choices
- Establishing user and provider views
- Specifying objectives
- Planning the project – capacity/market analysis, options appraisal and contracting strategy
- Selection of provider – tendering and evaluation
- Post-contract monitoring
- End of contract review and planning for re-commissioning

At present, the council runs a devolved model for managing the various aspects of this cycle, resulting in an unacceptable degree of fragmentation and inconsistency that is now incompatible with meeting the efficiency challenges that the council faces. A revised model for managing the process is now required that brings together expertise into manageable groups, and clarifies and simplifies roles and responsibilities. The council is currently reviewing its available options as part of the efficiency challenge process.

3.0 PROCUREMENT STRATEGY - COMPONENTS FOR SUCCESS

3.1 Overview

To deliver our procurement vision of enhanced value for money, efficiency and sustainability the strategy needs to deliver improvements against a range of component parts, which taken together are well understood as representing procurement best practice. They are:

- **An efficient structure** with effective roles and responsibilities and sufficient expert capacity to deliver the procurement vision
- **Spend and supply management** tools that provides timely and accurate data together with an approach to managing that data and the wider market which works to the council's advantage
- **Efficient processes** that add discipline to all phases of the commissioning cycle
- **Appropriate systems** that can be deployed to deliver fast, flexible, reliable and modern solutions to analysing, sourcing, buying, receipting and tendering
- **A comprehensive sustainable procurement policy** that addresses economic, ethical and environmental aspects of everything we buy

3.2 Structure, Roles and Responsibilities

Organisation – Roles and Responsibilities

A change to the way in which commissioning and procurement functions are currently organised will underpin many aspects of the new strategy. At its heart is the need to bring specialisation, expertise and clarity to the complex responsibilities of delivering projects throughout the commissioning cycle.

There are a number of ways in which resources can be reorganised to bring improvements to the corporate commissioning, procurement and post-contract management functions but essentially they all involve the themes of:

- bringing together early stage commissioning functions for the council to improve specialisation, expertise and joint working.
- bringing together contract management functions within each directorate to improve specialisation, expertise, joint working and consistency.
- developing the central procurement resource as a centre of excellence with a significantly greater corporate remit for delivering project strategies, savings and efficiencies, and providing support to the directorate functions.

Should a new model be adopted as outlined then the principal roles and responsibilities of the functions at the centre and within directorates can be broadly characterised as follows:

- A **central procurement resource** that will lead on:
 - market analysis
 - corporate and departmental procurement project strategies including appraisal and selection of procurement route options
 - tendering and evaluation for the majority of the council's contracts
 - analysis of the council's spend and development of strategies to deliver savings and efficiencies
 - corporate training across the commissioning cycle to support departments
 - It will operate on a category management model, with specialists working across broad but related categories of spend across the council to deliver savings that will be focussed on higher value/strategic areas

- **Directorates** that will lead on:
 - the inception, needs, requirements and specification stages of projects (with central resource input at an early stage)
 - post-contract management,
 - and will be organised into directorate groups staffed by specialists, promoting a more consistent approach to these roles and allowing improved communication with the central team.

Skills and Training

Access to appropriate skills will substantially influence the council's ability to improve its procurement performance. If it is to deliver against an ambitious programme of change then the necessary skills will need to be identified, developed and deployed in the most appropriate manner.

A skills and training needs analysis will be undertaken to identify the gaps in expertise needed to deliver changes to roles and responsibilities, and best practice. It is likely that organisational change will require a mix of recruitment, redeployment and training to make it fit for purpose.

An ambitious training programme, led by the CPU, will need to build upon recent successes in taking staff from all directorates through formal CIPS accredited exams and specialist modules for particular aspects of the commissioning process. Training will need to develop specialisation and expertise within more focussed teams addressing in particular the following parts of the commissioning cycle:

- needs identification/specification
- procurement – market analysis/options appraisal/tendering/evaluation
- post-contract management

Part of the training programme should be aimed at raising awareness and developing commissioning expertise amongst Members.

The Procurement Forum will provide an opportunity for shared learning amongst officers with procurement responsibilities and for the dissemination of that learning within departments.

3.3 Spend and Supply Management

Category Management

Category management is about the management of the council's spend by organising it into broad cross-cutting areas. The technique must be integrated

into a structure that allows commercial specialists in those areas of spend to deliver savings and efficiencies.

Similarly it should be integrated with a council plan that clearly prioritises spend and allocates resources against spend categories in a programmed way. This will aid long term planning and investment strategies for the council

To be effective the technique requires the centre to have access to demand management tools and control of the options appraisal and selection process, thus enabling it to control spend in line with the council's investment and efficiency strategies.

Supply Market Development

A wide range of suppliers will be encouraged to compete for Council work, although there is a tension here with the council's need to reduce its supplier base to more manageable and economically advantageous levels. However, the focus for new work need not always be with the larger more familiar businesses. Other types of organisation, offering business diversity, include:

- Local businesses
- Small to medium sized enterprises (SME's)
- Social enterprises
- Ethnic and minority business
- Voluntary and community organisations

These types of organisation can be innovative, offer value for money, be more responsive than larger organisations and deliver social benefits.

They will be encouraged to engage with the council through:

- the simplification of standard documentation
- meeting them directly at 'meet the buyer' and promotional events
- developing relationships with their representative groups
- building on the 'how to do business with the council' training and awareness events that have already proved successful

Market development will be carried out within the context of value for money, contract standing orders and EU regulation, as it should not confer an unfair advantage on any particular sector of the market.

The council will also look to collaborate with other local authorities in building relationships with major service providers and developing markets where competition may be limited.

Collaborative Procurement and Shared Services

Joint working with other organisations in the procurement arena will be sought to maximise the advantages that flow from economies of scale, shared resources and specialisation. These include working with other local

authorities and public sector organisations to deliver services that would benefit from a joint approach.

We will develop our collaborative approach to procurement by working with and through:

- the London Contracts and Supplies Group (LCSG) - a virtual consortium arrangement with most other London boroughs and a range of other public sector organisations
- the London Heads of Procurement Network.
- London's RIEP
- other regional groups such as the West London Alliance and South London Procurement Group
- the new collaborative procurement initiative for London – development of a formal structure with clear roles and responsibilities, involving London boroughs, the LCSG, Capital Ambition, the LDA and London Treasurers
- arrangements with specific local authorities and other organisations such as Richmond's PCT
- regionally and nationally agreed framework agreements

The Council will further develop its approach to maximising the use of corporate contracts, which ensure value for money through pooled purchasing whilst simultaneously rationalising the number of suppliers to be managed.

Framework contracts allow the Council to buy from a range of pre-tendered value for money contracts quickly and efficiently. Such contracts comply with the Council's Standing Orders and EU regulations. They are constantly monitored and benchmarked by the CPU to ensure that they provide best value for the Council. Although commodity type contracts are generally well exploited at the moment, there is significant room for improvement in service type framework contracts. The CPU will also explore joint purchasing opportunities across the Council to maximise opportunities for savings and reducing management costs.

The CPU will review its collaborative framework arrangements for commodity type contracts, which are predominantly London led, to see whether national frameworks, such as those from the OGC, offer better or equivalent contracts with lower management input. This will allow the council to increasingly focus its procurement resources on strategic services, which offer the greatest opportunity for savings.

Contracts Register

The council currently uses the 'London Contracts Register' sponsored by Capital Ambition as the basis for its own corporate contracts register. Whilst this is a significant improvement on the situation previously, it also relies on the register being populated with information regularly by many individuals

across a very devolved system. There are in fact several other departmental registers also currently in use.

A more centralised and rationalised system with clear responsibilities, as described in the 'Structure, Roles and Responsibilities' section would be able to develop a more reliable and accurate internal register, thus allowing a corporate perspective on all significant procurement projects including costs, timescales, renewals and regulatory compliance. Integrating this information into a London or national register would remain a priority.

In addition, elements of the register will be used to provide advance notice to potential suppliers, via the Council's web site, of contracts that are likely to be advertised in the future. The register will also be useful for the compilation of accurate statistical returns required periodically for the government.

3.4 Processes

Compliance

A more centralised and specialised structure, outlined above, will allow much improved and consistent control in respect of regulatory and legal compliance when letting contracts. Similarly, the use of mandated corporate contracts can be monitored more effectively with the availability of detailed and current spend data at the centre.

Risk Management

There are inherent risks in all procurement projects and consequently risk assessments should always be carried out in accordance with contract standing orders. A stronger corporate procurement function would further help to mitigate risks associated with such projects.

Contract Standing Orders and Financial Regulations

All procurement activity must be undertaken in accordance with contract standing orders and financial regulations, which form part of its constitution.

Contracts Board - Gateway Reviews

A Contracts Board has been established as the body responsible for reviewing progress on the council's most significant contracts. Its role is to add value and scrutiny to the commissioning cycle, from inception through to completion. It will:

- identify potential problems in advance
- ensure key aspects of procurement project planning and contract management are appropriate and timely

- provide advice and guidance to project teams for particular projects and build capacity across departments by deploying its joint experience and expertise in this role
- report to executive board on the progress of high value/high impact procurement projects, and relevant contract management issues on an exceptional basis

Contracts to be included on the review programme will be selected with reference to complexity, context, risk and value.

The key stages (gateways) at which projects are examined coincide broadly with the following:

- Early strategic assessment of project or programme
- A project about to issue an OJEU notice
- Review of activity up to contract award and preparation for service
- Operations review and benefits realisation at various points during the operational phase of a contract (typically several reviews over life of contract)

Various aspects of contract management will be reviewed at these stages including:

- Outline business case and/ or detailed business case (combined or separate depending on the complexity of the project)
- Procurement approach and options appraisal
- Investment decision and contract documentation
- Readiness for service and supplier evaluation
- Pre and post-contract management arrangements
- Benefits evaluation and post project review

The approach of the Contracts Board will be to use as light a touch as possible, thereby reducing the bureaucratic burden and keeping project delays to a minimum. Responsibility for projects will remain with project lead officers at all times. The board may offer advice and constructive criticism but generally it will be for lead officers to act appropriately in light of that feedback. Should the board identify self evident poor practice, regulatory errors or missed opportunities, lead officers will be expected to take corrective action.

The board will consist of the Assistant Director Policy, Commissioning and Strategy (who will chair), and senior representatives from:

- Procurement
- Legal services
- Accountancy and finance
- Audit

- Seconded service specialists, as required and who may be from other departments or even other organisations

Post Contract Management

Our current devolved arrangements for managing contracts are generally not delivering an efficient service. The council's efficiency challenge review of the procurement function offers the opportunity to re-think the way in which we manage and deploy our contract management resources. A model which adopts and promotes greater specialisation and commercial expertise will be able to deliver:

- improved quality in contract delivery
- improved compliance from contractors
- improved relationship building with contractors
- continuous improvement over the life of the contract
- better risk management
- improved forward planning for retendering exercises

3.5 Systems

Overview

Electronic procurement includes the electronic enabling of procurement across the Council for sourcing, ordering, commissioning, receipting and making payments. It underpins the modernisation of the function across the council by providing accurate data and the ability to apply analytical processes in a timely manner.

The council will aim to automate and electronically enable all possible procurement processes to:

- deliver efficiencies
- reduce costs
- improve data collection
- access electronic marketplaces where appropriate
- allow electronic tendering
- provide information that allows real-time spend analysis

These functionalities will need to be fully integrated into the council's financial management system.

These systems will of course be a major financial investment on behalf of the council, and therefore further investigation is needed before this element of the procurement strategy is scheduled in the overall change programme.

Management Information and Spend Analysis System

Accurate management information will provide the council with the ability to plan ahead, make timely interventions, enhance performance management and provide the central strategic procurement unit with information to underpin its anticipated category management approach to the council's spend.

Live data will allow strategies to be quickly adopted for reducing cost by identifying collaborative opportunities both within the council and with other councils. It will promote shared services by making integration with other organisations clearer. Importantly, it will allow spending priorities to be reviewed quickly at a corporate level and provide accurate information for use in comparing different strategies for sourcing goods, works and services.

E-Sourcing

The electronic sourcing of goods and services, but particularly those of a commodity nature, may be helpful not only in reducing paper processes but also in allowing specialists at the centre to concentrate their efforts on strategic big ticket spend items rather than tendering for lower value commodity contracts, where savings opportunities are likely to be lower.

E-Auctions

The council currently makes use of E-auctions as part of its collaborative strategy with other councils. This is likely to continue in the future, although with additional resources at its disposal Richmond council may be in a position to lead rather than participate in these exercises.

Purchase to Pay (P 2 P)

The adoption of a 'P 2 P' electronic system can make substantial efficiency improvements in the way most goods, works and services are ordered and paid for, including improvements to speed, reliability and data, and reductions in the cost of bureaucratic paper processes. To be effective it would need to be mandated across the council and reviewed to ensure high standards of compliance and probity.

Management of Temporary Staff

The council currently manages the procurement of its temporary staff through a neutral vendor model, i.e. the service provider does not provide staff to the council but instead acts as an electronic portal and manager to a wide range of specialist agencies.

This system has delivered major cashable and efficiency savings to the council and provides it with extensive data that the council can use to monitor spend and manage demand. However, the contract with the current service

provider expires in 2011 and a new model with similar functionalities will need to be commissioned at that time.

Procurement Cards

The Council will continue to develop its procurement card system (card based transactions), which is particularly suitable for low value, high volume transactions. The identification of new users will also continue to take account of circumstances where the use of the card allows process efficiencies and responds to a need for flexibility when making purchases.

3.6 Sustainable Procurement

Overview

Socially-responsible public procurement (SRPP) is about setting an example and influencing the market-place. By promoting SRPP, public authorities can provide companies with real incentives for developing socially-responsible management. By purchasing wisely, we can promote:

- employment opportunities
- the local community
- social inclusion
- SMEs
- accessibility and design for all
- fair and ethical trade
- and seek to achieve wider adherence to the values of corporate social responsibility.

Officers involved in the procurement process will work closely with the 'sustainability unit' and 'equalities unit' to develop policies and practices that give effect to these ambitions.

Equalities and Diversity

Equalities and diversity are essential elements of a modern, effective and ethical organisation, and these are reflected in the council's Equality and Diversity Policy statement.

An important part of its commitment to equality and diversity is encouraging and where appropriate requiring, companies and other organisations that bid for Council services to undertake effective equalities and diversity practices in service delivery and, where relevant, in the management of their own staff. Tests for 'relevance' and 'proportionality' should be applied when making decisions about what and how requirements are made in planning procurement projects.

Each year, the Council enters into contracts worth many millions of pounds for buying goods, works and services on behalf of its residents and other service users. These people come from all sections of society - men and women, young and old, people with disabilities, people of differing sexual orientation, those who may be socially disadvantaged and people from a wide variety of ethnic and faith groups - and the services provided to them need to take account of their diverse needs.

Similarly, these same groups of people may wish to become service providers to the Council, often as small businesses. Appropriate considerations should be made when planning and administering the procurement process.

The Council has a statutory duty to ensure that public money is spent in a way that ensures best value, which includes addressing issues of unfair discrimination and social exclusion. In 2010 a new equalities act is also expected to become law which will place further specific obligations on the council in respect of its procurement policies, strategies and actions.

The promotion of equalities and diversity in the procurement process will help the council to:

- obtain best value for the Council and improve the quality of local authority services
- ensure that public money is not spent on practices which lead to unfair discrimination
- deliver more responsive and flexible services in combating social exclusion and build strong and cohesive communities
- deliver its equalities objectives through its private and voluntary sector partners
- foster a workforce with an enhanced understanding of equalities and diversity

We will provide guidelines, policies and scrutiny processes that ensure that such considerations are incorporated into procurement planning, tender evaluation and post-contract monitoring.

Environmental and Ethical Considerations

Procurement also offers the potential to influence the following issues:

- Environmental
- Creation of jobs and wealth in the local community
- Support for SME's / BMEs etc
- Fairtrade and trading with developing countries
- Support for organisations with reference to people with disabilities
- Community benefits
- Economically disadvantaged groups and individuals
- Support for local policy initiatives e.g. minimum wage / core labour standards / workforce skills etc

However, the council needs to consider cost, relevance and regulatory limitations when making decisions about the promotion of these issues in the procurement process. For example, workforce matters can only be taken into account where:

- 'they are directly relevant to the delivery of the service in question' and
- 'affect directly the cost and quality of the services'

Similarly, any actions must not be seen to be discriminatory and must comply with EU regulations and principles.

Each case involving the linking of economic, environmental and social goals into contractual relationships must be assessed on an individual basis and commissioning officers should always take advice from the corporate procurement unit and legal services

Sustainable Procurement Policy

A working group of Members and officers examined the council's approach to sustainable procurement and agreed a policy statement that could be included within the council's wider procurement strategy. It comprises a 'statement of intent', to encapsulate the approach that the council should take in respect of its procurement activity, (see below), and sets out more specific aims and objectives for the policy (Appendix A)

Statement of Intent:

We are committed to achieving a high standard of sustainable procurement as defined by (primary definition adapted from 'Procuring The Future 2006 – Sustainable Procurement Task Force):

'a process whereby the Council meets its needs for goods, works and services 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 or eliminating damage to the environment'

We are committed to addressing the three strands of sustainable procurement, economic, environmental and social, by taking account of our own procurement practices and those of our contractors and suppliers.

3.7 Communication and Relationships

Internal

Whether through the current corporate procurement structure or anticipated new model, communication between the function's different groupings is essential to its efficient operation.

The CPU will ensure that all elements of the procurement function are integrated using information sharing techniques and allow for the joint development of procurement strategy. They will further develop:

- the forum of senior procurement representatives from across the council
- the intranet procurement web-site
- a library of up-to-date guidelines and pro-formas
- the issue of newsletters to inform others of developments, regulatory changes and news of interest to procurement practitioners

External

Relationship Management / Partnership Working –

The Council is committed to developing constructive long-term relationships with suppliers and to the philosophy of 'partnering', for high-value / high-risk projects, an important technique for removing the adversarial approach to contract relationships.

Partnering can be described as:

'a relationship between purchasers and providers of goods and services that is based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvement'.

The essential elements of partnering may cover some or all of the following and we will ensure that appropriate aspects are recorded formally as part of any partnering agreement:

- The agreement of mutual objectives
- The use of longer term agreements, where these are appropriate
- Protocols for supply chain management
- Team working between parties
- Open book accounting
- Common dispute resolution ladder
- Profit (and loss) sharing
- Continuous measurable performance improvement.

Web Interface –

External communication is very important in ensuring a healthy interest from potential suppliers and partners to the borough. An external web site will provide:

- A buyers' profile (EU approved information about the borough and its contracting protocols). This will allow the Council's standard tender process for contracts covered by EU regulations to be shortened.
- A list of existing and forthcoming contract opportunities.
- Guidelines for doing business with the Council.
- Standard documentation used in the procurement process
- Links to other relevant sites.

Market Consultation –

The Council supports a collaborative approach to working with potential suppliers. For large or complex projects the technique of market consultation should be employed, prior to the tender process. This will provide information about how relevant contracts may be best structured and specified to ensure maximum interest from potential external suppliers.

Service User Consultation –

We will endeavour to engage with service users and/or their representative groups wherever possible throughout the process of compiling specifications and tender evaluations. Service user views are central to ensuring that services are designed to meet their needs and that potential bidders are able to meet their expectations of quality.

4.0 CONCLUSION

Richmond upon Thames, in common with many other London local authorities, is on the cusp of very significant change. Inevitably, there will be a host of challenges and opportunities.

Central to many of these changes will be the need to deliver more and better quality services within budgets that are increasingly constrained. Improved procurement strategies and practices will play a very important part in delivering those value for money outcomes.

This strategy anticipates many of the changes necessary to build upon our past successes and develop a function that can be described as excellent and up to the task of supporting transformational change at a corporate level.

5.0 WORK PLAN

The work plan will be completed in light of the changes that flow from the procurement function efficiency challenge process.

This interim strategy is by nature provisional given the significant changes that are likely to the procurement function following the review. It represents a vision of best practice that has the potential to deliver excellence over the life of the strategy. The extent and speed with which specific actions are completed will depend upon the resources allocated to the procurement function and how they are organised.

It will detail the specific actions necessary to meet the ambitions or specific commitments set out in the body of the strategy.

Nevertheless, in the interim period we will continue to make progress and improvements to the procurement function wherever the opportunity arises.

6.0 APPENDIX

6.1 Appendix A

Sustainable Procurement Policy

Statement of Intent

We are committed to achieving a high standard of sustainable procurement as defined by:

'a process whereby the Council meets its needs for goods, works and services 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 or eliminating damage to the environment'

We are committed to addressing the three strands of sustainable procurement, economic, environmental and social, by taking account of our own procurement practices and those of our contractors and suppliers.

Aims

The aim of this policy is to provide a range of high level principals within a framework for setting targets and actions that:

- Meet the council's corporate objectives and targets
- Minimize environmental impact
- Maximize social benefits
- Consider whole life costing
- Engage with relevant stakeholders including staff and suppliers
- Provide for continuous improvement
- Deliver value for money

Objectives

To deliver these aims the Council commits, subject to funding, to the following objectives:

Policy and Strategy

1. Promotion of the sustainable use of resources by reference to the 'Procurement and Waste Hierarchies', in particular the consideration of reuse, recycle or disposal options early in the procurement process

2. To minimize the environmental impact of our contracts by considering the production of waste, use of resources, emissions to air, releases to water, contamination of land and destruction of biodiversity
3. As a minimum, compliance with all relevant UK, EU and other international legal requirements, which relate to the social, environment or economic aspects of procurement

Procurement Cycle

4. Development of appropriate pre-qualification and award criteria during the tender process
5. Development of a range of specifications and minimum standards for products, services and ways of working that can be incorporated into contract conditions and specifications
6. To adopt mechanisms and indicators for improving, monitoring and reviewing the environmental and social performance of contractors and suppliers
7. Integration of the Council's equalities, environmental and ethical policies into the commissioning cycle
8. Taking account of whole-life costs in the commissioning cycle

Communication

9. Supporting staff in the delivery of this policy by:
 - a. Providing supporting guidelines and templates that support the policy
 - b. Communicating progress on the implementation of the policy throughout the Council
 - c. Providing training and awareness raising tools

Partnership Working

10. Forming partnerships with contractors and suppliers to promote and encourage best practice and continuous improvement in meeting the Council's sustainable objectives
11. Continuous improvement of the sustainable procurement policy and guidelines
12. Consideration of the whole supply chain by working with contractors and suppliers
13. To work with small and medium sized enterprises (SMEs), the voluntary and community sector and local businesses so that they are fit to compete for Council and other contracts so as to strengthen the local economy
14. To work in partnership with other organisations, for example London boroughs, GLA, Regional Improvement and Efficiency Programme (RIEP), PCT, voluntary sector, etc., to improve sustainable procurement