

**Brighton & Hove  
City Council**

**Brighton & Hove City Council  
Corporate Procurement Strategy**

**2008 - 2011**

**Final**

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## **EXECUTIVE SUMMARY**

This document sets out the council's strategic approach to procurement. It is not intended to be a procurement manual; however, the principles contained within this strategy should be applied to all procurement activity. Consideration of this strategy is not optional and should be read in conjunction with the council's Contract Standing Orders and Procurement Codes of Practice.

Sir Peter Gershon's review of public sector efficiency marked a major step change in embedding value for money into the planning and delivery of public services. Procurement was at the heart of some challenging targets set out in the Comprehensive Spending Review 2004 (CSR04) such as efficiency gains across the public sector of 2.5% a year resulting in efficiencies in excess of £20 billion a year by 2007-08 across central and local government.

Local authorities achieved great success by exceeding the 2007-08 £3 billion target (£3.1 billion) one year early in 2006-07. This progress paved the way for the Comprehensive Spending Review 2007 (CSR07) which set out a more ambitious value for money programme for local authorities. Within this programme, councils collectively are expected to achieve 3% per annum cash releasing efficiency gains. By the end of financial year 2010-11, local authorities are expected to realise 9.3% cash releasing efficiency gains equivalent to £4.9bn.

This Corporate Procurement Strategy outlines the role of procurement in enabling Brighton & Hove City Council to deliver its local objectives through supporting the local economy as one of the largest investors across the city and its national objectives in meeting the targets outlined in the CSR07. Value for Money should embody all procurement activities undertaken by the authority to ensure that our citizens receive the right service at the right time for the right cost.

Proactive procurement is critical to ensure that all factors, risks and options are considered from the outset. The development of cross-directorate relations to drive through these efficiencies is of strategic importance. This document outlines ways to support this greater focus on collaborative working both within and outside of the council.

A core element of this strategy is the council's commitment to Sustainable Procurement and examples of this commitment are outlined in the document. In the current economic climate with continued escalating costs for scarce natural resources, alternative supply solutions should be considered. A balance needs to be struck between delivering efficiencies both cashable and non-cashable

under the Value for Money remit and ensuring that there is engagement with local and regional suppliers to grow the local economy. All procurement solutions must minimise their environmental and social impact and encourage opportunities for all.

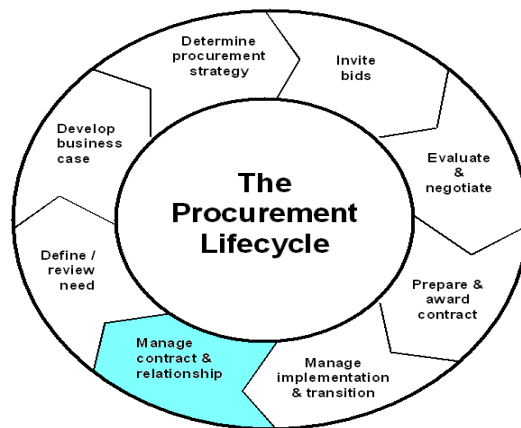
## INTRODUCTION

What is procurement...?

The acquisition of goods, services and works with varying degrees of complexity at the best possible total cost of ownership, in the right quantity and quality, at the right time. The benefits of the goods or services are then utilised by an organisation, group or individual, generally via a contract.

The council as an organisation will procure many different types of products or services for example; day care for vulnerable adults, maintenance of sports facilities, construction of our schools and residential care for the elderly. The positive impact that these goods or services could potentially have on the community is far-reaching. Robust and effective procurement must therefore take place to help realise these benefits.

Any procurement activity will have a number of key decisions/stages within it to ensure a successful outcome is reached. The Procurement Lifecycle below shows these key stages. Managing the contract and relationship has been highlighted as it is common for this crucial stage to be overlooked when determining the initial strategy.



The role of Corporate Procurement is to develop and facilitate best practice procurement activity across the authority – ensuring that each stage of the Procurement Lifecycle is effectively managed. The team as best practice agents for all matters of procurement and commissioning have an important part to play in ensuring that the council's wider strategic objectives are met for e.g. – Value for Money

The council has a devolved procurement structure which means that individual departments are responsible for their own procurement activity. The aim of this strategy is to continually develop and reinforce

the role of Corporate Procurement as a Centre of Excellence and strengthen the links between the various departmental contract officers/managers and the corporate team - similar to a 'hub and spoke' structure.

Officers are required to understand and implement policies and processes on procurement best practice. They should seek further guidance from Corporate Procurement where necessary.

To ensure this strategy is a success, a culture of compliance is required by the council as a whole.

## **SUSTAINABLE PROCUREMENT**

Sustainable Procurement is the consideration of environmental, economic and social factors when acquiring goods, services and works. Whilst the attainment of value for money is important, generating benefits not only for the organisation, but also to the local economy and taxpayer whilst protecting the environment is imperative.

The Department for Environment, Food and Rural Affairs stated in the Sustainable Procurement Action Plan 2007 that their goal is for the UK to be among the European Union leaders in sustainable procurement by 2009. They recognise that "...there is a massive potential for procurement to realise the social and economic – as well as environmental - benefits for communities. Sustainable procurement offers a practical way forward in helping create cohesive communities, improving long term outcomes for socially excluded groups and supporting a sustainable physical environment".

The councils commitment to economic, social and environmental sustainability is shown within the Sustainability Strategy and Procurement Code of Practice. It is recognised that Procurement is an important enabler for the council to be pro-actively engaged with social enterprises, voluntary organisations and small businesses.

The council, in collaboration with both regional and national partners is looking to support the development and promotion of sustainable procurement models and engage with other public sector organisations, agencies and voluntary organisations to validate these models.

This is evidenced by recent procurement initiatives such as the Connexions tender (information, advice and guidance services for 13 to 19 year old youths) and the Local Involvement Network – *LINKs*, initiative. *LINKs* is a new body which consists of volunteers who in collaboration with the Health Overview & Scrutiny Committee; will review health and social services on behalf of citizens of the City. The providers of the above services are voluntary sector organisations and social enterprise organisations. The Waste & Recycling for Corporate buildings contract is also an example of a contract where sustainability and environmental factors feature strongly.

### **Supporting the local economy**

With its role as one of the largest investors across Brighton & Hove, the greater the financial investment i.e. money spent by the council, the

greater the positive impact this will have on the local economy. For financial year 2006/07 the council's spend with organisations within the BN postcode was 48.9%. This is a respectable figure when taking into account the high proportion of businesses within the BN area that are within the leisure and tourism industry. As a useful comparator, another local authority who has achieved beacon status for their sustainability program has a local economy spend of 52%. The aim for Brighton & Hove City council, is to increase the percentage of local economy spend to 55% by 2011. The council has further demonstrated its commitment to local businesses by signing the SME (Small Medium Enterprises) Concordat in March 2006.

Procurement legislation restricts the council's ability to favour local businesses, however there are a number of legitimate ways in which the council can support them including:

- Reinforcing the communication channels between local and regional providers and the council ensuring that it is clear how they can access information on potential business opportunities and more importantly obtain guidance on how to do business with the council.
- Ensuring their 'voice' is heard by seeking their feedback at the conclusion of a procurement activity so as to improve the procedure where necessary.
- Identify ways in which certain contracts can be packaged (where appropriate) so that it does not exclude the following from tendering – small and medium sized enterprises, local and regional companies and the voluntary and community sectors.

Balancing the need to obtain value for money at the required quality, whilst promoting local/regional sourcing and reducing our supplier base (low value creditors), is a challenge for Procurement that must be recognised.

### **Social Sustainability**

As one of the largest investors in the local area, the council has a role to play in ensuring the quality of life for its residents now and in the future. By addressing the Sustainability of goods, services or works they procure and the potential social impact as a result of the procurement activity is vitally important.

Sound stakeholder and supply chain management is required to ensure that the objectives and aspirations of all are met. At every stage of the Procurement Lifecycle – from identification of need through to contract/relationship management and finally disposal of goods and/or termination of the service, the impact on all stakeholders within the wider community should be taken into account.



Practical ways to adopt sustainable procurement objectives including stakeholder involvement and contractor performance are outlined in the Procurement Code of Practice on Sustainability.

### **Protecting the Environment**

The council is fully committed to the delivery of goods, services and works which protect the quality of the environment and negate any potential adverse impact to the local community. In July 2004, the council signed the Nottingham Declaration on climate change to demonstrate the council's commitment to reduce greenhouse emissions.

At the earliest stages of a significant procurement activity, a whole life cost approach should be adopted so that a full assessment of the environmental impact of the goods, services or works can be identified and fed into the contract specification and tender documentation/process accordingly. Corporate Procurement provides guidance and training to council officers to ensure this best practice approach is embedded within all procurement activity.

### **Inclusive Procurement**

Within Sustainable Procurement, there is a duty to ensure that equality and inclusion is addressed with suitable measures incorporated.

The council is committed to improving its performance against the Equalities Standard for local government. The application of inclusive procurement via Corporate Procurement processes is an important element of the council's progress as measured by the Equalities Standard.

All procurement activity should be fair, transparent and provide equality of opportunity alongside other key factors such as VFM. An Equalities Impact Assessment (EIA) of the existing Corporate Procurement Strategy led to the following being implemented:

- Standard tender documentation with distinct sections requiring suppliers/contractors to demonstrate the equality and diversity measures in place within their organisations and their commitment to inclusion at all levels.
- Annual equalities monitoring of the council's supply base.

The EIA conducted as part of the process of drafting and implementing this strategy will identify future action to develop our work on inclusive procurement.

The Reducing Inequalities Review shall also help to inform future work on sustainable and inclusive procurement. Ways to address

worklessness across Brighton & Hove through developing relationships with providers will be evaluated. Practical methods to help meet the challenges faced can form part of the initial procurement process as demonstrated in the recent tendering of the Schools Strategic Partnership. The setting up of apprenticeships and forming links with City College by the main constructor formed an integral part of the selection process.

## **SPONSORSHIP AND CAPACITY BUILDING**

The need for council-wide adoption of procurement best practice is a key priority for The Management Team (TMT) and Cabinet Members alike. The council will not be able to realise its objectives and the full potential of procurement to improve public services without ongoing commitment from the top.

### **Robust Procurement infrastructure**

A devolved procurement model exists within the council and therefore links between the corporate centre and the wider procurement community and service areas need to be strengthened to ensure successful capacity building and best practice adoption.

Corporate training programmes and modules have been developed for both management and contract officers; to ensure best practice procurement becomes 'business as usual' and the norm rather than the exception. This 'top down'/'bottom up' approach will be implemented over the course of 2008/09 so as to ensure the dissemination of procurement skills from within the Corporate Procurement team out across the organisation.

A segmentation/classification exercise has been conducted, to develop/build a profile of all officers responsible for implementing contracts on behalf of the council. This profile has captured information such as the value and criticality of the contracts they have procured or manage. Training will then be delivered at the right level and to the right individual. Success of this initiative is dependent upon support from all service areas within the council to correctly identify their procurement lead officers and share this information with the corporate team.

Corporate Procurement will lead two internal best practice groups, which will share knowledge and facilitate capacity building between officers. These are:

- The Procurement Focus Group, where Contract Officers and Contract Managers share expertise and best practice.
- The Procurement Steering Group which develops and

recommends policy.

External accreditation such as the Chartered Institute for Purchasing & Supply Corporate Award programme will be promoted.

## **VALUE FOR MONEY AND THE DRIVE FOR EFFICIENCIES**

Value for Money (VFM) is set out in Chapter 22 of 'Government Accounting 2000' as the "optimum combination of whole life cost and quality (fitness for purpose) to meet the user's requirement".

The council's adoption of processes to secure VFM is essential in delivering the 3% cashable savings targets outlined in the Comprehensive Spending Review 2007 (CSR07).

A number of principles should be applied in order to secure VFM procurement activity, these are as follows:

- Cost effectiveness without compromising quality
- Competition should be sought
- Required rather than desired outputs
- Added value through innovation and creativity
- Accountability and transparency
- All viable sourcing options shall be considered
- Transactions should be streamlined to ensure efficient use of resources
- Administrative processes kept to a minimum to avoid bureaucracy
- Continuous improvement and learning from experience through ongoing 'relationship management'
- Focus on improving services for the future rather than maintaining services of the past.

To demonstrate VFM the following shall become established procurement practice:

- The inclusion of Performance indicators and service level agreements within council contracts. These will have associated liquidated damages to incentivise excellent supplier performance.
- Risk management to play a pivotal role in the contracting process.
- Contract management and benchmarking procedures
- Investment in training and technology to enable positive results
- Challenging the status quo through open and honest dialogue with partners and providers alike.
- Service and cost breakdowns must be secured to ensure probity and transparency

### **Performance Management**

The need for procurement activity to be undertaken within a performance management framework is critical to achieving success and continuous improvement. All procurement activity shall be conducted following 1) suitable planning, 2) identification of core requirements, which should be measurable 3) options appraisal 4) adherence to governance procedures 5) risk analysis 6) robust evaluation and negotiation 7) contract and relationship management 8) Review, incorporating lessons learnt and 9) Training and development to address highlighted gaps both skills based and service based.

Support and guidance on all aspects of a Procurement activity will be available from the 'Procurement Toolkit'. This will be available to all directorates via the council intranet and is currently being finalised.

### **PROACTIVE PROCUREMENT AND RELATIONSHIP MANAGEMENT**

Corporate Procurement shall introduce during the course of 2008 a Relationship Management model. This is to ensure that a proactive approach to strategic procurement activities across the council is adopted. Senior members of the Corporate Procurement team shall become a Relationship Manager to a service area. Their key responsibilities shall include:

- Developing a productive and mutually beneficial relationship with the relevant senior management stakeholder within their identified service area.
- Being the single point of contact within Corporate Procurement for their designated service area. This should ensure that the communication channel is clear and unambiguous
- Identifying with the support of their internal client, strategic procurement activity for the year ahead which will then feed into a directorate 'Account Plan'. This Account Plan shall include information such as:
  - key spend areas within the directorate,
  - the short/medium and long term procurement strategies of the directorate and
  - A work plan highlighting key contract renewals and procurement activity for the year ahead. This Account Plan will reviewed on a quarterly basis.
- Effectively assign Corporate Procurement resource to an agreed work-plan so as to help the team balance and streamline 'peaks and troughs' of activity.

### **EFFECTIVE CONTRACT MANAGEMENT**

To support proactive procurement across the council, officers should ensure that robust and consistent management of their contracts takes place. Budget holders must be aware and ensure that all contracts are registered and subsequently updated on the council's central contracts database which is managed by Corporate Procurement.

The Contract Management Adviser will assist contract managers across the council to adopt best practice in contract monitoring by:

- Advising on the inclusion of performance indicators and monitoring protocols within specifications
- Provide training and guidance on contract management developments
- Support the use of spot checks – to ensure contractors are performing as to the specification/requirements of the contract
- Develop a contract implementation checklist for the internal client upon contract award

## **PARTNERING AND COLLABORATION**

The National Procurement Strategy defined 'partnering' as the creation of sustainable, collaborative relationships with suppliers from the public, private and voluntary sectors as well as social enterprises to deliver services or acquire supplies or works. The benefits of an effective partnering approach include:

- Economies of scale and scope
- Access to new and scarce skills
- Integration of services for customers
- Greater investment
- Community benefits (including jobs and local economic effects)

Collaboration describes the various ways in which councils and other public bodies come together to combine their buying power to procure or commission supplies, services or works jointly or to create shared services. The major benefits of collaboration are again economies of scale, accelerated learning and apportionment of risk.

The council has already established partnering in the building and construction of schools and Council buildings. This partnership resulted in improved project delivery, greater cost control through supply chain management and enhanced working relationships so in turn reducing potential conflict. The Waste PFI is an example of successful collaboration between East Sussex County Council and Brighton & Hove City Council. Another example of a successful collaborative contract is the corporate stationery agreement which was formed by the Sussex Stationery Consortium. Fifteen local authorities including Brighton & Hove are consortium members, who as a result of their

greater spending power now obtain economies of scale and efficiencies from this contract. Finally, a long term procurement strategy developed by Housing Management to implement a partnering approach with contractors to provide repairs and maintenance to the council's housing stock has been approved.

Opportunities to implement strategic partnerships and shared solutions should be a high priority for the council and its importance can be evidenced by the investigations already conducted by the Sussex Improvement Partnership.

### **Learning from our partners and other sectors**

External networking with the private and voluntary sectors on procurement issues (without comprising the council's commercial position) should be explored so that the council is 1) aware 2) can analyse 3) act upon developments and innovation as appropriate.

This approach is endorsed within the government paper 'Releasing the resources to meet the challenges ahead: value for money in the 2007 CSR'; which states that obtaining better value from the public sector's £125bn procurement budget will be achieved through greater co-ordination over cross organisational boundaries.

## **USING TECHNOLOGY TO REALISE EFFICIENCIES**

### **E-Procurement**

The Office of Government Commerce (OGC) definition of e-procurement is 'the use of electronic methods in every stage of the purchasing process from identification of requirement through to payment, and potentially to contract management'.

Electronic enablement of the purchasing process includes three distinct areas:

1. **eSourcing** – when assessing contractual opportunities. Tools such as eTendering and eAuctions are deployed.
2. **eProcurement** – when conducting transactional processes, Marketplaces and eCatalogues are tools and techniques used.
3. **ePayment** – tools such as Purchasing cards, e-invoicing and self-billing are used.

The elimination of unnecessary cost in the procurement process is the key driver to any progression of the above areas. With the implementation of the integrated finance and e-purchase system, the council have demonstrated their commitment to use technology as a driver of efficiency realisation. The 'purchase to pay' process- in place from December 2006 – has ensured that the council met the e-

government targets.

Work to secure a return for the council's investment in this system is a high priority. Corporate Procurement shall focus on the following:

- Using the reporting functionality of the system to identify levels of procurement compliance within the authority.
- Detailed spend analysis
- Information on the number of council creditors to inform a Supplier rationalisation programme in 2009/2010.
- Providing data to facilitate 'Make – Buy' procurement decisions.
- Adoption of mandatory corporate agreements, to ensure Value for Money targets are achieved. Visibility of 'off-contract spend' shall support enforcement of this.

### **Technology procurement**

Mistakes made within any procurement activity such as a vague specification or weak contract can lead to long term financial loss and reputational damage. The level and likelihood of this risk to the organisation will often increase significantly during technology procurement. Getting the procurement of software and hardware right should remain a high priority for the council.

A comprehensive business case should be compiled and approved so that all options are evaluated. This is to ascertain the likely cost (current and future) and risk impact this procurement could generate.

An integral part of the procurement process will be the requirement of robust terms and conditions to support the investment and protect the council's commercial position. These should outline (but not be limited to) maintenance and support provisions as required, performance reviews, required service level agreements with associated liquidated damages, Business Continuity and Information Security and most importantly, Intellectual Property Rights infringement indemnities.

Corporate Procurement with Legal Services is to conduct a joint comprehensive review of the council's current standard terms & conditions. Particular focus shall be on introducing a standard technology terms and conditions of contract.

## **STRATEGY REVIEW**

Implementation of this strategy will be reviewed annually by Corporate Procurement and the Procurement Steering Group taking account of changes in legislation, regulations and best practice.

