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Introduction

1. What is Procurement?

Procurement is a series of activities and processes that sits at the heart of the Council, providing the framework by which the Council delivers its services, and engages with the community to ensure outcomes are delivered. Effective procurement delivers the right outcomes and obtains value for money in all the goods, services and works that are required.

The process of procurement is much more than “just buying something”. It incorporates the whole cycle of a purchase from the identification of needs through to delivery of the commodity or service/building of the works, the completion of a contract and the transition to the next, if the requirement is ongoing, or disposal of the commodity, and evaluation of the outcome.

The purpose of procurement is to acquire goods, services or works in a way that:
   a) secures best value for the Council for the money spent
   b) is consistent with the highest standards of integrity
   c) ensures fairness and transparency in awarding contracts
   d) complies with all legal and Council requirements
   e) supports the Council’s corporate priorities

2. The National Context

The proposed – and known – changes to Local Government funding serve to underline the need for Local Authorities to have effective and efficient procurement strategies in place in order to support the delivery of front line services. The Coalition Government manifesto recognises three particular themes in relation to procurement:
   • Effective procurement can help to reduce service delivery cost;
   • Procurement should be an open and transparent process;
   • Appropriate support to small and medium sized entities to participate in procurement can help to support economic development

The current funding environment

The budgetary and funding pressures facing the Council are set out within the Medium Term Financial Plan. Following the Comprehensive Spending Review (CSR), the Council is faced with having to achieve savings.

The proposed change to the funding of local authorities from April 2013 through the Localisation of Business Rates reflects the Government’s agenda of promoting economic growth. In future those local authorities who promote and achieve economic growth will be rewarded financially.
The Community Infrastructure Levy (CIL), due to commence in the autumn of 2012, will bring funding into the Council for Infrastructure. Over the next fifteen years it is estimated that over £105 million of funding will be delivered in the district through this mechanism. An element of this funding will be passed to local communities to fund their priorities. However the majority will be required to fund the major projects outlined in the Local Investment Plan and Programme (LIPP). Discussions with the Council’s Greater Norwich Development Plan (GNDP) partners is on-going around the proportion of CIL which South Norfolk Council should contribute to major strategic LIPP projects such as the Northern Distributor Road.

The Council also receives funding through the New Homes Bonus which can be used to fund projects. All of the items above have the potential for a variety of procurement exercises to be undertaken, whether by South Norfolk Council or in conjunction with its partner organisations.

The current legislative environment

The Council is required to operate in line with Public Procurement rules. These stipulate the particular steps the Council should follow when undertaking large-scale procurement exercises. It is likely these will be subject to change following the introduction of new EU procurement laws, scheduled for later in 2012.

The Localism Act presents the Council with both opportunities and challenges. Whilst Councils will be able to adopt new service delivery methods, through the general power of competence, it also presents opportunities for employees or local communities to tender for services that the Council currently provides – the Community Right to Challenge. In the event of such challenge, the Council would need to ensure that services are delivered in the most efficient and effective manner to maintain control of service delivery following a competitive procurement process.

Related to this, the Public Services (Social Value) Act places a duty on Councils to consider, ahead of commencing any procurement exercise, how the goods and services being procured will improve the economic, social and environmental wellbeing of the area, and in particular how we might act to secure that improvement.

There is a clear intention for public services to be run in a manner that is more transparent and open. The Code of Recommended Practice on Data Transparency, for example, requires local authorities to publish copies of contracts and tenders to businesses. The Open Public Services White Paper outlined Government intentions to shift delivery to a more local level, open services to a greater range of providers, ensure a consistent and excellent service is delivered by all, and ensure services are accountable to all who use them.
3. Objectives of the Procurement Strategy

South Norfolk Council has four corporate priorities:
- Enhancing our quality of life and the environment we live in.
- Promoting a thriving local economy.
- Supporting communities to realise their potential.
- Driving services through being businesslike, efficient and customer aware

In light of the national context highlighted above, in order to deliver the corporate priorities, the Council needs to have an efficient and effective procurement function. In particular, the following four key objectives have been identified for the procurement strategy:

1. To secure best value for the council

In undertaking each procurement exercise, the Council should seek to achieve the best value possible to it, through considering all relevant factors to the service or item being procured and following proper procedures.

2. Supporting economic development within South Norfolk

Through ensuring there are appropriate support mechanisms in place to help local businesses participate in the Council procurement process, the Council helps to promote a thriving local economy.

3. Supporting changes to introduce more efficient forms of service delivery

To continue to meet its objectives in a time of change in local government, the Council needs to ensure that services are being provided in the most efficient and effective manner possible.

4. An efficient procurement service

To ensure that the procurement service itself is as efficient as possible, whilst still meeting necessary legislative requirements.
Procurement within South Norfolk Council

1. Responsibility for Procurement

There are two main distinguishable aspects to procurement as follows:
   a) The strategic core functions of determining strategy and organisation to ensure that services are purchased and delivered efficiently and effectively.
   b) The professional task of procurement covering both the traditional purchasing of goods and services for the Council’s directorates and contracting for services direct to the community.

The Council’s Strategic Procurement is led by the Compliance and Risk Manager and the Deputy Chief Executive. Professional procurement is managed within service areas, supported by Financial Services Team who provides advice to ensure compliance with the Council’s contract standing orders.

2. Links to other strategies

The documents that support the Procurement process are as follows:

- Corporate Business Plan – this provides details of the Corporate Priorities.
- Directorate Plans – these provide the detail on how the Corporate Plan, and individual services within it, will be delivered.
- Asset Management Plan – this provides the strategy for the property portfolio required to deliver services and generate financial returns
- Medium Term Financial Plan – this sets out the Council’s financial position and how financial resources will be allocated to support delivery of priorities
- Capital Strategy – provides a framework as to how capital expenditure will be committed to support corporate priorities
- ICT Strategy – this focuses on using IT to improve performance and reduce costs e.g. to enable customers to self serve and thus providing a service to meet customer needs and reduce revenue costs.
- Economic Strategy – this focuses on encouraging economic growth in the District, which is linked to the need to increase job opportunities and Business Rates income in the future in line with the Government’s proposal for the localisation of Business Rates.
3. Principles

The Council reiterates its principle objective that the delivery of outcomes to our residents and maximising efficiency are the key drivers in our procurement. The Council has continually delivered its services through a range of vehicles, from outsourcing (Leisure Connection, Deloitte); shared services (CNC, nplaw, internal audit) and in house provision (waste, planning).

There are other delivery vehicles which the Council has not previously explored, in particular the use of Trusts and Local Authority owned companies. The Localism Act provides further opportunities, and the Council will review options for service delivery to consider all of them.

This Procurement Strategy recognises that different models and approaches will be required for the very different and diverse services that the Council has responsibility for. The Council will apply the following guiding principles in undertaking individual procurement exercises:

- Consider the impact of all major procurements on the achievement of the priorities of the Council.
- The Council will undertake all procurement activity within the guidelines set in the Procurement Manual.
- Preserve the highest standards of honesty, integrity, impartiality and objectivity in all dealings.
- Strategic procurement will ensure that the Council obtains value for money in the acquisition and management of its resources, balancing quality and cost, and supporting improved service delivery through the freeing up of resources.
- Consider the potential for innovation, the management and balance of risk, and the opportunity for new or alternative methods of service delivery.
- All procurement activity should support and promote Council policies and priorities, including equal rights, sustainability, and value for money and supporting the local economy.
- Operate within the framework determined by the European Union and United Kingdom law and those outlined within Rules of Financial Governance and Contract Standing Orders.
- Utilise competition as a means of achieving economy, efficiency and effectiveness, wherever appropriate.
- Ensure that procurement activity is customer focused, involving internal consultation and involvement to support service objectives.

4. Rules of Financial Governance

The Council has established rules and procedures to ensure that all its finances are managed effectively and this includes procurement. These exist to guide staff and members when procuring goods, works and services and to ensure that suppliers and contractors are treated fairly and openly at all times.
This document provides a framework for the conduct of the contractual and financial business of the Council.

Its provisions must be followed by:-
(a) all members and officers of the Council;
(b) any third parties (e.g. contractors, consultants) used by Council for the delivery of services to the extent that they are relevant. The relevant Director must ensure that any such third party is aware of the obligations placed upon them, and subsequently abides by these obligations.

Whenever decisions are being made or specific requirements of these rules are being interpreted, the main principles under which they have been compiled should be considered. They are:-
 a) the need to demonstrate clear public accountability and compliance with the seven principles of public life as defined by the Nolan Committee and any Council approved code of conduct for employees and code of conduct for members. This should ensure that the highest standards of personal and corporate integrity are maintained at all times;
 b) the requirement to achieve the Most Economically Advantageous position in the procurement of goods and services;
 c) the need to provide and maintain adequate internal and financial control over the Council’s affairs.

5. Contract Standing Orders
These are the detailed procedures necessary to regulate the creation and management of contracts large and small, from the assessment of need through quotation and tendering to the letting of contracts and their subsequent management. These also apply equally to and must be followed by all suppliers and contractors, for example when arranging sub-contracts.

Copies of both the Rules for Financial Governance and the Contract Standing Orders are available on the Council’s website at www.south-norfolk.gov.uk.

A separate Manual is available detailing all the procedures necessary to ensure that procurement is carried out effectively and in accordance with all applicable laws and regulations. They provide detailed guidance and interpretation of the relevant laws, regulations and internal rules and procedures sufficient to enable all those responsible for procuring goods, works and services or letting contracts to do so effectively.
7. Risk Management
All developments large and small have risks attached to them and the Council manages these risks through a now well-established process. Risks are assessed and scored as part of the programme and project management process and actions identified to eliminate, mitigate or manage the risks in an acceptable fashion. The aim is to ensure that the risks inevitably associated with procurement, as with other forms of project, are known, assessed and appropriate action taken to deal with them so as to bring the project to a successful conclusion under proper control.

8. Equality and Diversity
South Norfolk’s approach to equalities is summarised in the short version of its Equalities Statement:

- We want South Norfolk to be a place where all people thrive – physically, mentally, socially, spiritually and economically.
- We aim to ensure we deliver good quality services that meet the needs and aspirations of all the district’s residents, service users, employees and visitors.
- We will address the needs of people who have traditionally faced discrimination or received less favourable treatment based on their age, disability, gender, gender identity, race and ethnicity, pregnancy & maternity, religion or belief, sexual orientation and marriage & civil partnership. These are known as protected characteristics.
- We are committed to promoting equality in respect of our role as a service provider, our role as an employer and our role as community leaders. We are committed to equal life chances for all.
- We believe that equality for all is a basic human right and actively oppose all forms of unlawful or unfair discrimination. We celebrate the diversity of our district and are striving to promote and reflect this diversity within the council’s own structure.

We require all our suppliers and contractors to have appropriate policies and practices in place and to comply fully with their obligations in all their work with us.
Delivery of Procurement Objectives

We have identified the following methods through which we can deliver the objectives of the procurement strategy:

1. **Securing the best value for the Council**

   **Adherence to procurement rules and standing orders**

   The procurement framework set out above, with regards compliance with contract standing orders and the procurement manual, form a basis for achieving best value for the Council. This includes processes managers should follow from the outset to determine the most effective and efficient service delivery model (the business case for the procurement exercise) through to evaluating tenders to assess which provide the most economically advantageous.

   **Whole Life-Costing**

   When undertaking procurement exercises, it is important that the Council recognises the whole cost of procuring the service. This may include, for example, the costs associated with switching from an established supplier to a new supplier, or termination / dilapidation costs, when evaluating tenders and bids to perform or run services.

   **Payment by Results**

   Traditional procurement methods focus on suppliers delivering a standard service or goods within a given cost and quality criteria. Recent analysis has demonstrated that taking an approach of introducing “payment by results” within Local Government can deliver genuine benefits to organisations, both through passing an element of risk to the supplier, and give incentives to provide better outcomes to the Council within the existing budget restraints.

2. **Supporting economic development within South Norfolk**

   **Spending Locally**

   Spending locally to provide services has a beneficial impact on the local economy by contributing to the success and growth of local businesses. This effect is magnified when those businesses and their employees in turn also spend a proportion of what they receive with other local businesses. Money we spend locally can ripple through the local economy increasing the prosperity of the area. This becomes crucial as the Council will be allowed to retain business rates locally; it also helps to secure improvement to the local economy and thus fulfil our social value duty.
South Norfolk Council is committed to promoting a thriving local economy and nurturing businesses in the area. Specific acts the Council can undertake to ensure local businesses can participate in the procurement process include:

- Advertising contracts on the Councils’ website in order to reach those local businesses able to offer the Council supplies and services
- Approaching local suppliers to alert them to such opportunities where there is a local market to draw on.
- Ensuring the procurement process remains proportionate to the goods and services being offered – e.g. flexibility in information requested for pre-qualification questionnaires
- Ensuring that the selection criteria adopted, where appropriate, takes appropriate account of local need and benefit (“social value”) of the proposed tender

The Localism Act has been introduced to empower local Councils with decision making powers to promote innovation and creativity to meet the needs of their local community. The decisions made will inevitably have an impact on the local economy and public services, and it is the intention of the Localism Act to ensure decisions about the local area are made at the lowest practical level and as close to the people affected by the decision as possible.

The Act allows the local community to challenge how a local service is run and to encourage social enterprise to deliver those services in more cost effective manner using innovative ideas and initiatives. Value for money is a major focus of the procurement process and where challenged by social enterprise, voluntary or community groups, the Council will have to determine whether the service can be delivered by such an initiative without disruption to other services which may lead to an overall net reduction in benefit to the local community.

Sustainability

The social, economic, and environmental well-being of South Norfolk and its people are central to our aims and we work with others in the area to improve well-being through partnership arrangements. We will engage with other partners, for example the Clinical Commissioning Groups, who will take over responsibility for public health with the County Council following the demise of Primary Care Trusts in April 2013, to secure our sustainability objectives.

We will apply the following principles when specifying goods and services:

a) Eliminate: Ensure products or services are actually needed; use products from elsewhere in the organisation if possible.

b) Reduce: Order only the appropriate quantity; ensure that products are fit for purpose, and durable. Minimise packaging wherever possible.

c) Re-use: Choose products that are easily repairable and can be used elsewhere once items are no longer required.

d) Recycle: Specify products with a recycled content and products that can be recycled at the end of their life.

e) Dispose: Ensure we are able to dispose of products suitably and in accordance with waste legislation at the end of their useful life.
As part of the process through which we select suppliers and contractors, where it is appropriate to do so, we will review and assess organisations’ environmental policies and other credentials to see how well they can contribute to our overall sustainability goals.

Providing support to community, social enterprise groups, parish councils and voluntary groups

In February 2012, the Council set out a scheme to invest £2.5m between 2012/13 and 2014/15 in enhancing services provided in the local community. In order to deliver the scheme, the Council needs to effectively engage with community service providers – such as social enterprise, voluntary groups and parish councils, in order to identify how they can support the development of solutions to meet community needs, and how they may be able to deliver those solutions themselves.

Proportionate Procurement

In order to encourage and stimulate local businesses to participate and engage in the procurement process, the Council needs to ensure that procurement exercises are proportionate, in light of the associated risks presented by the specific goods and services being procured.

This is particularly important in securing the outcomes of the Council’s Community Empowerment Scheme. The scheme will encourage local stakeholders to identify their priorities for enhancing existing Council services; the Council will then seek to secure the resources required to deliver the enhanced services – whether through providing the service itself, or through engaging with local voluntary or social enterprise groups.

In encouraging proposals to be made, the Council needs to ensure that the procurement mechanisms operating are both effective and efficient in securing the scheme’s objective. Collective procurement across areas will need to be undertaken where feasible to secure the most economically advantageous position, however the Council also needs to ensure that the process is proportionate to encourage and allow bids from smaller organisations – for example, through reviewing the information required from suppliers in the tender process.

3. Supporting change to introduce more efficient forms of service delivery

Supporting internal Council programmes

The Council has recognised that the ever-changing environment within local government means that Councils need to be in a position to respond, and in particular has developed the “Moving Forward Together 2” programme to ensure that the Council is well-placed to meet the challenges of the Future.
The Council’s IT Strategy, in particular, recognises that modernising the Council’s computer systems and applications helps to deliver longer term efficiency savings and supports changes within the organisation – such as more generic working. Effective procurement – through making the right products available to services at the right time – helps to support this process.

**Reviewing existing contracts and recognising full-costs of procurement**

Central Government has been able to make major savings in the past 2 years through reviewing existing contracts to ensure that they are delivering value. Changes to European Procurement laws will mean there is greater clarity over the nature and scale of changes that can be made within existing contracts. The Council will seek to ensure that existing contracts are reviewed to ensure they continue to provide best value to the authority, and that changes are made where they secure better value without compromising the service provided.

Further, in undertaking procurement exercises, through compliance with Contract Standing Orders, the Council reviews the most economically advantageous position offered to it. However, as part of this, the Council seeks to recognise the full costs of procurement exercise, and will evaluate tenderers against this.

**Utilisation of alternative service delivery models**

South Norfolk Council has generally favoured in-house service delivery models. This enables the Council to retain effective control over service delivery and standards to the residents of South Norfolk, and through LEAN reviews the Council ensures that the service provided is as effective and efficient as possible.

However, it is recognised that in future the Council may be necessitated to review this approach. For example, utilisation of a Charitable Trust to deliver services would enable the Council to receive tax (VAT, business rates) relief. As a Council, we will continue to take a strategic approach to considering how to deliver our services, whilst balancing the need to maintain control.

**4. An Efficient Procurement Service**

**E-Procurement**

Electronic procurement describes a method of procuring goods, works or services via electronic means; it can help to deliver benefits such as:
- Procurement at a lower cost (e.g. through online auction or website)
- Greater awareness of contracts to expand potential supplier markets (through online advertising portals)
This innovative form of purchasing is developing fast and in order for procurement at the Council to evolve and embrace these new methods, there is a distinct need to improve the skills and knowledge of those who have responsibility for procurement at the Council.

Already the Council takes advantage of the website to advertise the availability of contracts, publishes its contracts register through Improvement Easts’ web portal, uses websites to access on-line frameworks and distributes many of the necessary forms to suppliers/contractors via electronic means, reducing costs of postage. This needs to be expanded to include obtaining supplies via e-auctions and other emerging developments in this rapidly changing area of procurement.

Where e-procurement is a good fit for the purchasing of supplies, this should be encouraged. The Council needs to explore these and any new methods of procuring supplies, in order to operate an efficient and adaptable procurement process. Development in this area will ensure that we promote the use of new technological advances, to reduce costs where possible, ensure value for money is obtained, in a responsive and flexible way.

**Partnering and Consortia arrangements**

Where possible and appropriate, we will work actively with the market to achieve the best possible outcomes for South Norfolk Council. We will look to work in partnership with others for mutual advantage, whether with other public sector bodies, commercial organisations or community groups. The establishment of partnership arrangements will be subject to the same degree of rigour in terms of justification by business case as other forms of procurement, with particular emphasis on the creation of fully effective governance mechanisms.

Where conventional procurement, contracting or purchasing is indicated, we will use existing consortium arrangements or new joint arrangements to make the most of our combined purchasing power, reduce direct procurement cost, and encourage local suppliers to work through such consortia, to their benefit as well as ours. The Council will seek, for example, to extend existing activities and develop new and emerging activities including:

- Use of and involvement with Improvement East
- Development of a countywide contracts database to help to identify collaborative opportunities
- Extending the use of ‘open’ framework agreements to enable use within the local or regional public sector community, such as those provided by the Office of Government Commerce (OGC), and Eastern Shires Purchasing Organisation (ESPO).

The Council is committed to maintaining an open culture with the highest standards of honesty and accountability. It takes all inappropriate behaviour very seriously and is committed to investigating any genuine concerns raised.
Working with the third sector and voluntary sector

Working with organisations from other sectors helps us to recognise good practice and activities that may benefit the Council. Opportunities for joint commissioning and procurement of goods and services helps to reduce direct costs to both parties of providing the goods / services, as well as reducing the overall procurement cost.

Rationalising our Supplier Base

Rationalising our supplier base enables us to improve our processes and thus save money in other ways. We want to maintain a sensible number of reliable suppliers and contractors who we can trust to deliver the results we need whilst remaining open to those new to us. However, having large numbers of registered suppliers we rarely use benefits no-one and we routinely remove those who we’ve used neither recently nor often.

Consolidated invoicing reduces the time needed to approve payments whilst electronic ordering reduces the amount and movement of paperwork and facilitates prompt payment by direct bank transfer. All of these help us to reduce the cost of procurement and focus our spending on services rather than processes.

Reviewing costs of individual procurement exercises

Procurement exercises can be a cost and time intensive process. Procurement exercises should be proportionate to the goods and services being offered, whilst recognising the associated risks. By reviewing the costs and time involved in such exercises, the Council can examine where efficiencies may be achieved and risks may be accepted on an appropriate basis. In line with the Council’s intentions to LEAN services, analysis can be used to understand the system and how it can continue to improve and evolve.