



**NORTH HERTFORDSHIRE DISTRICT
COUNCIL**

**Corporate Procurement Strategy
Updated December 2012**

North Hertfordshire District Council

Corporate Procurement Strategy

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Corporate Procurement Policy

In support of value for money and recognising the requirements of the above drivers, the following policy has been developed:

'To obtain best value for money through planned, responsive, professional, well managed, sustainable procurement that contributes to achieving the Council's priorities and meets the needs of the community.'

1 EXECUTIVE SUMMARY

- 1.1 The procurement strategy sets a clear framework for procurement throughout the authority, which reflects the Council's Priorities for the District', provides a framework for best value and which follows the Council's Constitution.
- 1.2 Developed with its partners in the Local Strategic Partnership, the North Hertfordshire Partnership, the Council has a vision of 'Making North Hertfordshire a vibrant place where people can live, work and prosper'. The Council sees its own mission as leading the delivery of this vision for the area through working collaboratively with our partners and our communities.
- 1.3 The Council needs to reflect the very latest national, local and political priorities, primarily through the annual 'refresh' of its Priorities for the District, demonstrating that it is responsive to changing needs.

For 2012/13, the Council has, therefore, identified three priorities;

- Living within our means to deliver cost-effective services
- Working with local communities
- Protecting our environment for our communities

These three areas will provide our short term focus and resources will therefore be moved (as far as is practicably possible given the limited flexibility of the existing budgets) and redirected towards activity that specifically takes these issues forward.

The Council's procurement strategy will seek to support the delivery of the district's vision, the Council's mission, the three priorities and follow the Government's direction on procurement for local authorities.

- 1.4 In considering the Council's objectives and priorities and the requirements of presenting value for money, the following specific procurement objectives have been set:
 - To ensure that the procurement process is clear and focussed in the first instance on achieving value for money
 - To ensure that the procurement options are chosen on the basis of the degree to which they support and deliver the Council's strategic objectives and priorities and those of specific services
 - To investigate a number of ways to provide services in partnership with other councils, public, private and not for profit organisations and where appropriate, to seek out and develop new methods of service delivery supplied by immature and emerging markets
 - To ensure that in choosing the best value procurement method, the process of balancing cost against community benefit, in terms of economic, social and

environmental factors, is made in a transparent way and supported where appropriate with clear evidence.

- To ensure that the relevant mechanisms exist in order to fulfil the legislative requirements placed on the authority under the 'Community right to challenge' of the Localism Act 2011. This section of the act requires the authority to consider bids made by relevant organisations to run services on behalf of the authority, with the receipt of any appropriate bid received triggering the necessary procurement exercise.

1.5 To ensure that these policies are implemented, the following key actions will be pursued:

- The corporate procurement function within the Council will continue to be strengthened through the Contracts and Procurement Group in its strategic role and by the Shared Procurement Officer through his/her support and advice on procurement options. The Procurement Officer and the Contracts Lawyer will focus on operational procurement issues and dissemination of the latest procurement guidance and advice.
- The Council's appraisal and learning and development processes will be used to deal with identified shortfalls in skills requirements to ensure that procurement skills are strengthened within the organisation particularly for those new to procurement.
- Ensuring we demonstrate value for money will be maximised in the procurement of goods and services through improved processes and procedures to include the ongoing mapping of current spend to identify scope for improvement.
- The Council will draw up and publish its strategy for implementing its forward plan for service delivery. This will set out the council's likely demand, in broad categories, for goods, works and services from outside suppliers in the medium term.
- There will be a review of how the Council's social, economic and environmental policies may be supported by its procurement procedures. For example, by considering how local businesses can be encouraged to establish new markets and the effect of procurement decisions on local and national/world environments (e.g. by reducing waste, using environmentally friendly materials, energy efficiency). As part of its commitment to equalities, the Council is committed to integrating equality of opportunity into all aspects of local authority activity, including procurement and encouraging our partner organisations to share and help deliver our aspirations on the full spectrum of equalities issues and as expressed in the Equality Act 2010.
- As part of the authority's commitment to show value for money and effective use of resources, the partnerships used for procurement will be subject to the same review of accountability to be proposed for all other partnership arrangements across the Council. This will examine the benefits, governance arrangements and effectiveness of the partnership arrangement proposed and arises from the Audit Commission report 'Governing Partnerships' of October 2005.

2. INTRODUCTION

“Procurement increasingly involves complex decisions... Having a well developed professional procurement capability with the expertise and commercial acumen to deal with these other issues is, therefore, a key requirement...”

National Audit Office Report: Improving Procurement (2004)

This strategy provides a common framework within which all procurements by the Council are to be conducted. Procurement is central to the management of many operations within the Council.

This strategy should be read in conjunction with the following documents:

- Council's Constitution
- Financial Regulations
- Contract Procurement Rules
- Corporate Equalities policy
- Sustainable Community Strategy
- Any codes of conduct or protocols adopted by the Council
- Value for Money & Corporate Business Strategies
- Climate Change Strategy
- Community Right to Challenge
- The Council's Medium Term Financial Strategy

North Hertfordshire District Council works in partnership with East Hertfordshire District Council and shares a Procurement Officer who will offer professional procurement advice and guidance on all aspects of procurement including, the EU treaty and Regulations, UK Law, Procurement information and guidance will also be available through the Council's Intranet and Internet Sites. The Council is also working collaboratively with Stevenage Borough Council and other local authorities via a number of regional forums including Supply Herts and Improvement East.

2.1 What is procurement?

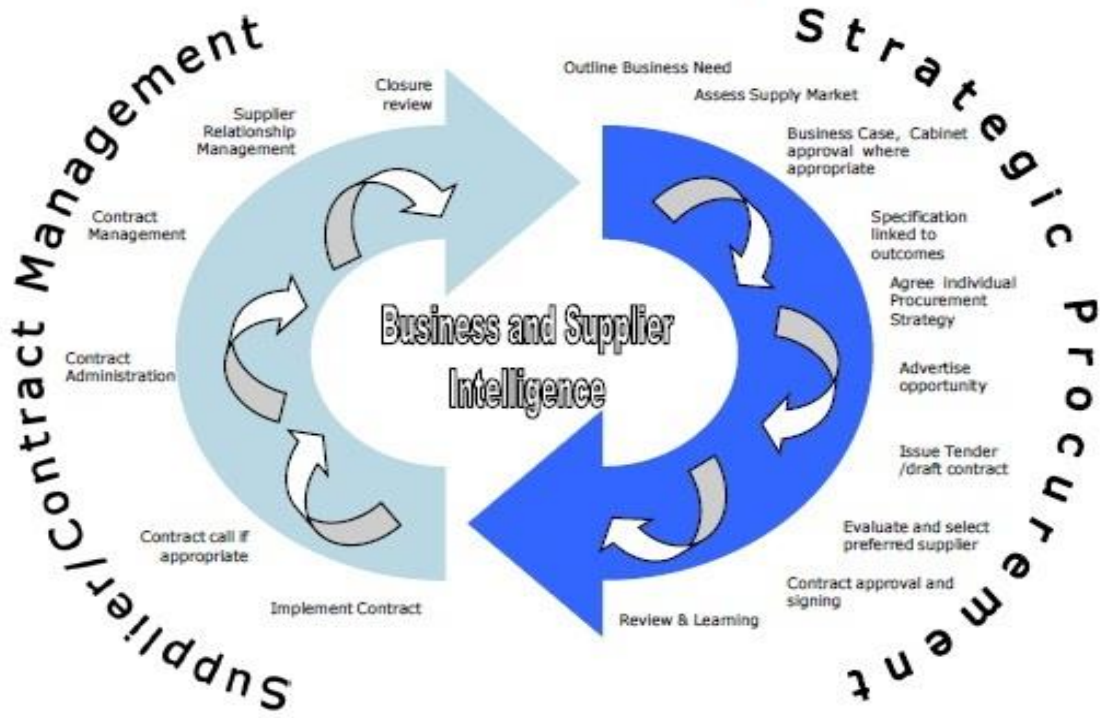
The term 'Procurement' is not about purchasing, buying or commissioning, it is the whole life cycle in the acquisition of goods, works or services from the 1st tier supplier through to the end of the project . It is favourable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the users and the local community in it's widest sense in terms of quality and quantity, time, and location. Procurement processes are intended to promote fair and open competition, is managed and controlled accordingly, whilst minimizing exposure to fraud and collusion, and achieving the Council's key objectives and outputs.

Procurement is the process of obtaining supplies, services and works spanning the life cycle of the asset or service . Life cycle is defined as being from the raw material in products when purchasing suppliers and works, through to the requirement of the business needs, through to the end of the useful life and the correct disposal of the asset or service.

The Council will procure the most economically advantageous and best value for money for supplies, services and works by:

- adopting the life cycle approach to the assets or contract
- applying effective and up to date procurement procedures
- ensuring procurement helps deliver the council's key corporate objectives

Procurement Lifecycle



3 PROCUREMENT POLICY

Context of the Procurement Strategy

- 3.1 The procurement strategy is designed to be a high-level statement of policy and strategy. The rules regulating the procurement function are set out in the Council's Contract Procurement Rules. In 2003/04, the Contracts and Procurement Group produced a Procurement Guide, which details procurement policies and procedures, this is subject to regular review and updating. The Council's intranet site also contains detailed guidance which is subject to regular review and updating.
- 3.2 The framework of rules for procurement are those determined by EU and UK law and those set out within the Council's Procurement Rules, in that order of precedence. The Contracts and Procurement Group will continue to review this strategy and Contract Procurement Rules on an annual basis.
- 3.3 To understand the community benefits the Council is seeking to achieve, it is necessary to consider the Council's corporate vision, core values and overall objectives. These are set out in the Council's [Priorities for the District 2012/13](#) and are as follows:

3.4 The Vision for North Hertfordshire

Developed with its partners in the Local Strategic Partnership, the Council has a vision of 'Making North Hertfordshire a vibrant place where people can live, work and prosper'. The Council sees its own mission as leading the delivery of this vision for the area through working collaboratively with our partners and our communities.

The Council needs to reflect the very latest national, local and political priorities, primarily through the annual 'refresh' of its Corporate Plan, demonstrating that it is responsive to changing needs.

For 2012/13, the Council has, therefore, identified three priorities;

- Living within our means to deliver cost-effective services
- Working with local communities
- Protecting our environment for our communities

The financial year 2012/13 saw the continuation of a period of considerable transition for local government and this is expected to be the situation for several years to come. We have reviewed our plans and priorities to better reflect emerging legislation and the economic climate to ensure that we maintain focus on the issues that are important to our residents

The Council's procurement strategy will seek to support the delivery of the district's vision, three priorities and strategic objectives and follow the Government's direction on procurement for local authorities.

3.5 Key Drivers

Additionally, there are a range of key issues that drive the Council's procurement strategy. The key drivers are:

- LGA: Local Government Association
 - Assisted by the LGNAG4P: Local Government National Advisory Group for Procurement

- A review of collaborative procurement across the public sector – Audit Commission and National Audit joint report
- [Strong and Prosperous Communities 2009](#)
- Rethinking Construction
- [National Procurement Strategy](#) for Local Government (NPS), NPS milestones 2003 – 2006 & Final Report April 2008
- [Localism Act 2011](#)
- [Community Right to Challenge 2012](#)
- Local Government Resource Review
- Equality Standard for local government, revised for implementation from April 2009.
- Equality Act 2010
- Audit Commission / IDEa Local Performance Indicators for Procurement
- The Roots Review (February 2009)

The above drivers are explained in more detail in section 7, pages 20 to 24 below.

4. PROCUREMENT PRINCIPLES

All procurement should seek to accommodate the core values of the Council, be administered to ensure adherence to relevant EU and UK legislation and ultimately provide best value for money. To achieve this, procurement should be managed in accordance with the following principles.

4.1 Management and Control of Contracts

Arrangements shall ensure that all contracts are adequately managed and monitored with a view to achieving completion of service delivery on time, within budget and in accordance with the specification. Procurement will be carried out in accordance with all relevant North Hertfordshire District Council policies with particular reference to the Procurement Rules:

Procurement of Goods and Services:

- i) Procurement below £500: The use of Purchase Cards and Marketplace will be used for this level of procurement
- ii) Procurement between £501 and £10,000 : A minimum of two written quotations will be required unless it is clear that only one supplier is available. Marketplace Terms and Conditions will cover the order.
- iii) Procurement between £10,001 and £100,000: A minimum of three written quotations and an official Request for Quotation document must be used. Between £20,000 and £50,000 it is recommended that an advert be placed on the NHDC website to ensure competition. Between £50,001 and £100,000 an advert must be placed on the NHDC website and Contracts Finder.
- iv) Procurements between £100,001 to EU Threshold: A Tender Process will be completed and Official Tender documentation must be used and an Advert must be posted on NHDC website and ContractFinder.
- v) All Procurement above EU Thresholds must be carried out following the EU Tender process, Adverts must be posted on NHDC website, ContractFinder and OJEU as a minimum.

Procurement of Works

- i) Procurement of Works under £200,000: A minimum of three written quotations will be required.
- ii) Procurement of Works between £200,001 and EU threshold: A minimum of three competitive tenders shall be invited and a formal written contract prepared in advance
- iii) Procurement of Works above EU Threshold must be carried out following the EU Tender process.

All procurements that exceed £10,000 and/or are intended for more than one calendar year should be adequately planned.

An officer will be designated, at the outset of each procurement, with the responsibility and sufficient authority, for ensuring that the procurement project is correctly executed. The Procurement Officer is able to support and guide in this process.

A procurement plan will be prepared for each project at the outset and due consideration given to the resources required to achieve completion within the desired timescale. The plan should indicate the timetable for key stages (e.g. budgetary approval), the resources that are required (e.g. staff time, consultants and funds) and the proposed management and monitoring arrangements. The same officer will also be the Council's delegated officer to contract manage the contract throughout its life.

4.2 Assessing and Minimising Risk

The risks associated with all procurement will be assessed and minimised accordingly. The Council's Risk Manager will assist in these procedures.

- i) When planning any procurement, consideration must be given to what can go wrong, how likely this is and the likely consequences assessed accordingly. If necessary, following this risk assessment, the 'project' should be logged on the Council's risk register. The Council will develop its overall management of procurement by modelling its requirement on a risk/value matrix, illustrated in [appendix A](#).
- ii) Procedures established for letting and managing major contracts should be appropriate to the risks that have been identified. In particular, procedures should not be over-bureaucratic and should satisfy the value for money requirement.
- iii) When placing a contract It is important to ensure that the transference of risk on a contractual basis is sound. Advice should be sought from Legal Services prior to signing an agreement.
- iv) All identified risks should be managed and allocated to parties so as to minimise the potential consequences. As a general rule, risks should sit with those most able to manage them and with sufficient seniority depending on their 'worth'.
- v) Project managers should ensure that effective lines of communication are established at the outset and are maintained throughout the contract process, to ensure an adequate and regular dialogue between the client representative, stakeholders and the service provider. This should include regular progress meetings with contractors at which method statements, health and safety and the time cost and quality of work are consistent agenda items.
- vi) An officer should be designated at the outset for each contract with the responsibility and sufficient authority, for ensuring that the contract is adequately managed and monitored and that service delivery adheres to all relevant current legislation and health and safety requirements. Where appropriate, this person should be involved in the pre-contract process of tender development (e.g. preparation of specification).
- vii) Effective and efficient methods of contract monitoring and reporting shall be established throughout the contract. Such methods should include monitoring of programme, costs and service delivery against specification and shall be proportionate to the cost and risks involved.

4.3 Qualified and Experienced Staff Resources

Senior managers are responsible for ensuring that staff engaged in procurement and contract management shall be suitably qualified and trained for the purpose.

- i) When project managers are arranging procurement they should have the capability themselves, through qualification, experience and/or knowledge or have access to suitably trained and informed staff, to be able to arrange the procurement in a satisfactory manner. Support is available through the Council's Shared Procurement Officer.
- ii) Officers managing major contracts shall have the capability themselves, through qualification, experience and/or knowledge, or should have access to technical expertise, to be able to ensure the sound management and monitoring of contracts.

4.4 Sustainability

The Council recognises the work done by the Fairtrade Foundation and will work to become a Fairtrade Local Authority and will require as a minimum standard the fair-trade accreditation for the supply of goods where the accreditation is available.

The UK Government Sustainable Development Strategy and the UK Government Sustainable Procurement Action Plan commits the public sector to leading by example in delivering sustainable development objectives. The public sector has a key role in furthering sustainable development through its procurement of buildings, goods and services. Sustainable procurement must, take place within the Government's Value for Money policy and the European Union's legal framework.

The Council is committed to ensuring that services are delivered in a way that protects the quality of the environment and minimises any adverse impact on community well being. To achieve this the following considerations are taken into account in the procurement process:

- i) Wherever possible procurements shall be carried out in such a way as to maximise the benefits to the local economy, and, in order to address social inclusion in a manner which does not exclude smaller businesses to contribute to the process.
- ii) Procurement shall be arranged in such a way that it encourages a range of providers. These should be capable of meeting the current and future needs of the service while still providing value for money.
- iii) Procurement should be organised to ensure that it is not detrimental to the environment, by making arrangements (for example) to reduce the amount of packaging or waste produced, by producing goods with minimal use of fuel or materials, and that the longer term energy use of the product is of the highest possible standard.
- iv) North Hertfordshire District Council are working towards the reduction of the carbon footprint of it's premises, and will continue to pursue effectively not to increase it's energy consumption without having taken reasonable measure to analyse what the projects effects would be on the assets consumption and take measures to mitigate any increase. This will assist in the delivery of our sustainability objective within the 'Priorities for the District', the Sustainable Community Strategy 2009 – 2021 and The Climate Strategy (revised 2012).
- v) The minimisation of waste through re-use of materials to be replaced by the Authority (i.e. printers, furniture, vehicles etc.) should be considered within all tender and contract processes. Where electrical goods are being disposed of the Waste, Electrical and Electronic Equipment Regulations 2006 must be adhered to. If there are goods which a department no longer requires but are still adequate to be reused then they should be offered to other departments by advertising through the North Hertfordshire District Council message board. If no internal department requires the goods then they should be offered to community groups or charities; North Hertfordshire District Council would need to waive any liability for the goods and frame it as a donation.
- vi) Specifications of service/work requirements should focus on service delivery and whenever possible, clearly define the goals or outcomes required. When planning procurement, due consideration should be given to accommodating innovation and flexibility within the subsequent contractual arrangements. Environmental policies adopted by the Council should be considered and where

applicable, adequately addressed when writing specifications, evaluating tenders and throughout the delivery of the contract.

- vii) Where a mixture of quality/price is used in evaluation, robust quality/price tender evaluation models should be prepared that sufficiently reflect the level of quality that can be afforded. The basis of which will be made clear to all tenderers. When preparing quality/price evaluation models, consideration should be given to the costs expected to be incurred throughout the entire life of the project including operational, maintenance, disposal and retirement costs (i.e. whole life costing).
- viii) Wherever appropriate, consideration should be given to establishing longer-term arrangements, such as using framework agreements or entering into partnerships with other organisations. These organisations should be given an early opportunity to submit their proposals for adding value to the project by using the initiatives and resources at their disposal for new methods of service delivery.
- vx) Forest management can be environmentally appropriate and socially beneficial, but it can also be environmentally and socially damaging. This policy recognises the responsibility of this Local Authority as a consumer of forest products to ensure that it has a neutral if not positive effect on the world's forests.

This Council will give preference to timber and timber products that have been independently certified by a credible, globally applicable forest certification scheme and can demonstrate that the products are derived from well managed sources. This certification scheme is the Forest Stewardship Council (FSC) or an equivalent certification scheme that meets all the requirements that can be found in the attached link :

<http://www.fsc.org/public-procurement.90.htm>

4.5 High Professional Standards and Best Practice

All procurement procedures shall be operated in a professional manner and ensure the highest standards of transparency, probity and accountability.

- i) A project procurement manager should be appointed for each project or programme at the outset with the responsibility for ensuring the professionalism and integrity of all procurement procedures.
- ii) All procedures shall be operated in accordance with the Council's Contract Procurement Rules, codes of practice, best practice and standards set by relevant professional organisations.
- iii) Wherever possible, model or standard terms and conditions of contract should be used that have been evaluated by legal officers as being satisfactory for use by the Council.
- iv) All procedures shall be auditable and be able to demonstrate sufficient probity and accountability for all decision-making processes.

4.6 Continuous Improvement

Where contracts are going to run for a number of years, the contract should be sufficiently flexible to provide for continuous improvement throughout the period of the contract.

- i) Terms of contracts should include mechanisms for measuring the extent to which performance has achieved the specified goals or outcomes and wherever possible, require service providers to seek to improve on the specified goals and outcomes accordingly.
- ii) Contract monitoring procedures shall provide for sufficient review of performance and for feedback to other and subsequent procurement exercises. Such reviews should highlight lessons to be learned (e.g. how to repeat what went well and not what went wrong) and consider how innovation and new technology can assist future contracts.
- iii) Consideration shall be given in a regular and timely manner of how new technology may improve efficiency. The potential gains in efficiency (e.g. reductions in time and cost for Council staff, consultants and contractors) shall be evaluated, together with any associated risks.

4.7 Workforce Matters

Where a procurement involves the potential transfer of employees then the Council shall take every care to ensure that the exercise is handled in accordance with the advice and guidance published by Communities and Local Government. Transfers of employees includes the transfer to external contractors of workers currently employed by the Council and also the transfer of workers where Council let Contracts are re-tendered, what are often referred to as 'second generation transfers'. Whenever contracting which might involve the transfer of staff is being considered it is essential to have regard, at an early stage, to the advice and guidance contained in the ODPM Circular 03/2003 and the Code of Practice on Workforce Matters in public sector service contracts March 2005 relating to the handling of workforce matters in contracting. All transfers will be in line with The Transfer of Undertakings (Protection of Employment) Regulations 2006.

Protection of Works Terms & Conditions – The Councils will, in the absence of exceptional circumstances, assume that the Transfer of Undertakings (Protection of Employment) Regulations, (TUPE), applies to all transfers of workers. Strictly speaking, obligations relating to provisions about benefits for old age, invalidity or survivors in employees' occupational pension schemes do not transfer under TUPE. However, the provisions of the Pensions Act 2004 sections 257 and 258 do apply to transfers taking place after 6 April 2005. In effect, this means that provisions equivalent to the TUPE regulations apply to pension rights from that date. In essence, if the previous employer provided a pension scheme then the new employer has to provide some form of pension arrangement for employees who were eligible for, or members of the old employer's scheme. It will not have to be the same as the arrangement provided by the previous employer but will have to be of a certain minimum standard specified under the Pensions Act.

New Staff - The Council will take steps to ensure that the terms and conditions of new staff employed to work alongside those working on Council contracts shall be treated no less favourably than their transferred colleagues.

Consulting the Workforce - Where consideration is being given to contracting that may potentially involve relevant transfers the workforce and their Trade Union representatives will be consulted at an early stage in the options evaluation process.

Consideration of Workforce Matters in the Selection Process - The Council will ensure that workforce matters are considered in the evaluation process with a view to ensuring that the Best Value option is selected. In particular the Council will ensure that Contractors have policies that ensure good communication and consultation with the workforce on key issues following a transfer.

4.8 Partnering

Partnering describes the creation of long term, flexible, collaborative relationships with suppliers in the public, private and voluntary sectors to deliver services, carry out construction projects, share premises or acquire supplies and equipment. The benefits of the partnering approach include:

- Better designed solutions
- Integration of services for customers
- Access to new and scarce skills
- Economies of scale and scope
- Investment
- Community Benefits (including jobs and local economic effects)

Partnerships can be beneficial and integrated into service delivery, but it needs to be recognised that this is not an easier contract style; indeed partnership agreements are likely to be more challenging than traditional contracts. Partnering is a form of formal agreement between organisations and will require careful preparation. In addition to the normal contractual considerations, some attention should be given to cultural issues, which if addressed correctly will make the co-ordination of activities easier.

Partnering should be considered when engaging in best value reviews of services as a potential alternative to established methods of service delivery.

4.9 Collaboration

'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. Collaboration is a form of public-public partnership. Its major benefits are economies of scale, strengthening provision of specialist services and accelerated learning.

North Hertfordshire District Council supports the concept of procurement efficiency through collaboration. The Council will actively participate with other authorities and organisations where appropriate and feasible to seek economies through joint procurement, joint commissioning, framework agreements and shared services. North Hertfordshire District Council is currently engaged in collaborative working with East Hertfordshire District Council through the Council's Shared Procurement Officer who also liaises with Stevenage Borough Council on some joint contract tendering negotiations.

North Hertfordshire District Council is part of Supply Herts. This is a partnership of all Hertfordshire Councils which have made a political and managerial commitment to delivering and developing integrated and joined up-working across all tiers of local government. The Council will also make appropriate use of support agencies such as Improvement East.

4.10 Delivering Equality

North Hertfordshire District Council are committed to ensuring that we are fulfilling the obligations of the Public Sector Equality Act. A recent internal audit awarded us substantial assurances that this was the case. All contractors will be expected to evidence that they can deliver mandatory equality standards that apply to the District Council, irrespective of whether a service is procured through a third party who is not subject to the same legislation as public bodies.

The Council must make sure that equality and diversity considerations are integrated into the contracting process so we more effectively meet the needs of all groups within the community. To ensure that NHDC fulfils its statutory duties contractors are required to comply with the Equality Act 2010 , current legislation.

The Council needs to understand the impact and effect of procurement on its diverse populations both through its internal procurement processes and through the external environment. This will be achieved by positively ensuring that diverse populations have equal access to tenders and have the support to bid for business across North Hertfordshire District Council. It is important that an equal opportunities risk assessment is carried out prior to taking on a procurement exercise. It is the responsibility of the Contracts and Procurement Group to monitor and help deliver equality through the Contracts Lawyer who will ensure that all documentation prepared provides an open, transparent and fair playing field.

4.11 Small Business Friendly Concordat

The Small Business (SME) Friendly Concordat is a voluntary, non-statutory code of practice, the purpose of which is to set out what small firms and others supplying Local Government can expect when tendering for Local Authority contracts. Its aim is to help ensure that all contracting authorities take the necessary steps to make certain that suppliers of all kinds are treated equally. North Hertfordshire District Council has signed up to the Concordat and is still actively supporting its objectives through it's open processes and advertisements of it's requirements through the Councils Internet pages.

4.12 Safeguarding Children

North Hertfordshire District Council is aware of Section 11 of The Childrens Act 2004 and their responsibilities when contracting and commissioning services and will be ensuring that any projects where contractors might have access to any vulnerable people that the appropriate clauses are used in the terms and conditions of contract, that CRB checks are evidenced and contract management is a priority.

4.13 Electronic Business

North Hertfordshire District Council uses an e-marketplace solution to place electronic orders with suppliers which has produced efficiencies and reduced transaction costs to the benefit of the Council and it's suppliers. It recognises that more innovation and improved services should continue and the council will work towards introducing e-invoicing, again providing long term efficiencies. This will also improve workflow and security in the Purchase to Pay system as it will provide live information. The Council will then be able to assist the public with real time information if queries arise.

In 2011 North Hertfordshire district council implemented an e-tendering tool to guarantee provision of an easy and smooth procurement process for project managers during the tender process and ensure that the Council provides a transparent and level playing field for all suppliers to bid for work with their local authority. All advertising for EU threshold procurements are now advertised through this portal and by the end of 2012 all EU procurement will be done through the e-tendering tool. The Council recognise the need to encourage SME involvement to fully realise the lower costs, innovation and improved services they may bring, North Hertfordshire District Council will pay particular attention to assisting with the removal of any barriers to SMEs participating in e-business.

North Hertfordshire District Council have implemented procurement cards for the payment of low value transactional orders and in 2011 was integrated into e-marketplace. This provides simple cost effective purchasing, approval and payment process supported by sophisticated point of sale controls and reporting systems.

5. PRIORITIES FOR FURTHER ACTION

- 5.1 This part of the document is concerned with appraising the Council's strengths and weaknesses surrounding the procurement function and in formulating an action plan to address perceived weaknesses.
- 5.2 There will be a regular review of both the Procurement Strategy and the Contract Procurement Rules.

Strengths

- 5.3 The Council has been able to demonstrate procurement and contractual innovation in certain areas.
- A robust policy in place to ensure that the Community Right to Challenge is fully integrated in North Hertfordshire District Council
 - Procurement and project management skills are strengthened by procurement training, the resource of a Shared Procurement Officer and a Contracts Lawyer.
 - The letting of successful, high value, long-term contracts on major service provision
 - The review and amendment of Contract Procurement Rules to allow commissioning officers flexibility, while retaining important controls
 - Commissioning of services with the voluntary (also now increasingly known as the 'third sector') and private sectors is still a high priority for North Hertfordshire District Council
 - The use of regular Audit reports act as catalysts for change and promote best practice
 - The development of a corporate standard for project management and training programmes for key staff and members
 - There is high quality procurement and legal advice within the Council
 - Risk management is embedded within the processes and procedures of the Council
 - The Council is actively engaged in partnership working with neighbouring authorities e.g. Waste Services
 - Data on how much is spent, by whom and on what is available is being used to continue developing appropriate strategies to bring about procurement improvements
 - The use of electronic procurement continues to expand with the upgrading of financial equipment to provide easier and cheaper financial processes and the use of more facilities through the e-tendering tool

Weaknesses

- 5.3 There are however, identified weaknesses within the systems for procurement and contracting.
- Procurement, project management and contract management skills require further strengthening
 - Use of procurement performance indicators to measure the effectiveness of procurement needs underpinning
 - Centralised monitoring on social, environmental and economic aspects of council contracts needs strengthening

Further resource needs to put in place to stimulate markets and achieve community benefits. E.g. Supporting the Right to Challenge, where appropriate, full publication of existing/other contracts, including forward planning of major procurement exercises.

Action Plan

- 5.4 The attached improvement plan will address these weaknesses and will be monitored by the Contracts and Procurement Group. The improvement action plan may be subject to amendment and the Contracts and Procurement Group will report to the Senior Management Team on progress and changes to the action plan on a half-yearly basis.

Project Ref. No	Objectives	Targets	Lead Officer/s	Key Milestones	Status	Commentary
	To ensure equality and fairness in the procurement process in accordance with government legislation, e.g. Race Equality Scheme. This is to include all agencies delivering services on behalf of the local authority.	To review how the Council's: <ul style="list-style-type: none"> • Social Policies may be promoted through procurement. 	Head of Policy and Community Services & Procurement Officer	Link work into the implementation of the Council's Corporate Equality Programme and single Corporate Equality Scheme Ensure compliance with legislation – June 13	Amber	The work will need to form part of the overall development of equalities and diversity within the authority, including the creation and publication of a single equality scheme.

Project Ref. No	Objectives	Targets	Lead Officer	Key Milestones	Status	Commentary
	To ensure the procurement process reflects those priorities within the Community, Rural Innovation, Economic Development, Climate Change and Herts. Environmental Forum Strategies that support the promotion of rural, new and incoming businesses and support green purchasing	To further review how the Council's: <ul style="list-style-type: none"> • Environmental and • Economic Policies may be promoted through sustainable procurement.	Head of Finance, Performance and Asset Management, Chair of Procurement & Contract Group (CPG) and Procurement Officer	Green Initiatives through the Council's climate change group	Amber	
	To provide a training programme to ensure all project managers receive training in Contract Management		Head of Finance, Performance and Asset Management, Chair of Procurement & Contracts Group (CPG) and Procurement Officer	All Contract Managers trained in Contract Management	Red	

Project Ref. No	Objectives	Targets	Lead Officer	Key Milestones	Status	Commentary
	To review and agree a policy that all procurement opportunities across NHDC are advertised electronically through the e-tendering process.	Implementation of Policy by December 2012	Head of Finance, Performance and Asset Management, , Chair of Procurement & Contract Group (CPG) & Procurement Officer		Amber	
	To finalise the introduction of procurement performance indicators to measure the effectiveness of procurement.	Benchmark North Hertfordshire District Council against other local authorities using Joint Agency (Audit Commission, National Audit Office, Northern Ireland Audit Office, Wales Audit Office, Audit Scotland) Procurement KPI's	Head of Finance, Performance and Asset Management, , Chair of Contracts and Procurement Group (CPG), CPG Members & Procurement Officer	Use available data to put together a summary of North Hertfordshire District Council procurement position – End of March 2013	Amber	Procurement Officer to lead on this with the support of the Contracts and Procurement Group
	To work collaboratively with other local authorities and/or other public bodies	To let more collaborative contracts and have more partnership initiatives in place	Head of Finance, Performance and Asset Management, Chair of Contracts and Procurement Group (CPG), CPG Members & Procurement Officer			

6 CURRENT ARRANGEMENTS

6.1 This part of the document explains:

- How procurement is currently organised at the council
- How much the council spends on procurement
- How it is spent
- Who spends the money
- What use of e-Procurement is there in the organisation

How procurement is currently organised at the Council

6.2 The Council's Contract Procurement Rules and Financial Regulations regulate procurement of goods, services, works and assets. The Contracts and Procurement Group has produced a Procurement Guide, updated when any Legal or process changes are made. This is designed to provide a resource for practical help and advice on best practice for officers involved in procurement.

6.3 The Council's Contract Procurement Rules allow Directors to accept either the lowest priced tender, or the most economically advantageous tender (MEAT). The most economically advantageous tender selection methodology involves using a matrix of weighted cost and quality indicators to score contract bids. The assessment criteria should be agreed and documented prior to tenders being invited and an evaluation structure defined so that an objective evaluation can take place whatever method is applied. Where appropriate, tender evaluation criteria will incorporate whole life costs. All documentation will be completed before going out to advert to ensure there are no delays in processes. All methodologies must be included in the documentation sent to prospective bidders.

6.4 The Council has a devolved procurement structure, in which individual directorates are responsible for arranging their own procurement processes, the Council's Shared Procurement Officer assists with advising on procurement issues and the Contracts Lawyer is responsible for supporting the project managers through the full tender/quotation process. The Contracts and Procurement Group provides a corporate resource to develop documents such as the Procurement Strategy and Procurement Guidance with support of the Procurement Officer. This group reports directly to the Council's Senior Management Team on procurement issues. Certain categories of goods are purchased centrally on behalf of the whole Council; this includes IT purchases and maintenance, telecommunications including mobile phones, stationery and furniture, print services. It is anticipated that central contracts will increase in number in 2012/13 e.g. postage.

How much the Council spends on procurement

6.5 Analysis of the Council's expenditure in the calendar year 2011/12 on goods, works and services revealed that during the year over 6,664 transactions were processed by the Council to a total of 1,422 different suppliers at a total value of £25.8 million. As more central contracts are utilised the number of suppliers and transactions will reduce.

6.6 Analysis of the Council's accounting system indicates that for the full financial year 2011/12 the total supplier expenditure was £25.8 million. Broken down between directorates as below:

Directorate		No. of Suppliers	No. of Transactions	£
Chief Executive		103	209	265,000
Customer Services		551	2364	17,056,209
Finance, Policy and Governance		493	2894	6,097,151
Planning, Housing & Enterprise		275	1197	2,460,976
	Total	N/A	6664	25,879,103

6.7 North Hertfordshire District Council have embraced e-Procurement, the use of an electronic system to acquire goods, works and services and payments from third parties. North Hertfordshire District Council have implemented:

- A stand-alone e-Tendering solution, to enable the council to seek tenders or quotations and which provides the facility to host an e-auction
- E-Marketplace, a Web-based system that enables ordering from approved catalogues and provides compliance to contracts.
- Procurement cards for ordering and payment

Currently the Council's purchase ordering system contains the following electronic features:

- Internal on-line ordering through an e-marketplace with commitment accounting
- E mail of purchase orders
- Internal on-line invoice registration
- Internal on-line payment authorisation
- Back-end data imaging of paid invoices
- Payment through BACS
- Emailing of remittance advice note
- Procurement cards for ordering and payment, in place and expanding
- E-tendering solution.

New developments which are moving forward are:

- Procurement cards for ordering and payment – use in place and expanding
- E-tendering solution, expanded use planned for 2013/14

7 KEY PROCUREMENT DRIVERS

Additionally, there are a range of key issues that drive the Council's procurement strategy. The key drivers are summarised below.

7.1 The Byatt Report (Delivering Better Services to Citizens)

The Byatt Report was commissioned by the DETR and the Local Government Association and was published in June 2001. It examines the emerging opportunities for local authorities to develop and improve their procurement practices and provides a clear strategic framework within which to carry out a high quality procurement function. The Byatt report has been used as a basis to develop an initial work programme for the Procurement and Contracts Group

7.2 Competitive Procurement – Audit Commission Report

The above report, published in March 2002, found that 'when used well, competitive procurement is a mechanism to challenge current services and to determine new models of service delivery. However for such benefits to be achieved, a strong element of competition should run through the whole process.

7.3 Value for Money

This Value for Money Plan develops themes from the Local Government White Paper and National Improvement and Efficiency Strategy (NIES) to set out a route map for meeting the efficiency challenge, outlining for councils key means to achieve efficiency and support activities designed to promote them. The Council has adopted Business and Value for Money strategies outlining its approach to securing and evidencing VfM in its services.

All procurement of goods and services should be based on value for money, having due regard to propriety and regularity. "Value for money" is defined as the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement. Securing value for money in procurement is crucial to the wider objective of delivering high quality, cost-effective public services. It is essential, therefore, that purchasers develop clear strategies for continual improvement in the acquisition of goods and services. Value for money considerations should involve assessment of risk and an appropriate allocation of risk.

It would not be consistent with value for money, or the equal treatment of suppliers, for procurement to be used to pursue aims unrelated to the subject of the contract. Purchasers should not seek information which they cannot legitimately take into account. Purchasers should however seek such information from potential bidders that is necessary for establishing whether it would be inappropriate to enter into contracts with them.

All staff, not only Procurement, are responsible for ensuring that best VFM is achieved through the procurement process.

7.4 Strong and Prosperous Communities

The Government's Strong and Prosperous Communities wide-ranging agenda, part of which is set out in its Implementing Electronic Government (IEG) statement. This requires local authorities, amongst others to ensure that they use electronic service delivery to improve the quality and responsiveness of their services.

It is a requirement of the Strong and Prosperous Communities agenda that all transactions capable of being carried out electronically are done so by 2005. The Council's Implementing Electronic Government Statement 2 (October 2002) recognised that one of the elements of implementation is electronic procurement, to achieve direct procurement and payment from pre-selected suppliers and to other payees.

Additionally, the Council has set up joint procurement arrangements with Herts. County Council for purchases such as PCs and communication links.

7.5 Rethinking Construction

Rethinking Construction is an approach to construction procurement that is intended to address the traditional failings of construction industry contracts. It is based on the recommendations of the earlier Egan Report and proposes a collaborative and partnership approach to replace the traditional confrontational approach. Its targets for improvement are: reduced capital cost, reduced construction time, better predictability, fewer defects, fewer accidents, increased productivity, increased turnover and profits.

7.6 National Procurement Strategy (NPS) 2003 – 2006 Final Report published 2008

The third and final report on the National Procurement Strategy (NPS) for Local Government 2003–2006 was published in April 2008. It summarises the state of play and looks back at achievements over the three-year life of the Strategy. It concludes with recommendations on next steps in the light of the developing policy, in particular the Comprehensive Spending Review 2007 and the National Improvement and Efficiency Strategy.

Local government has risen to the challenge of the efficiency agenda and the growing degree of collaboration among Councils and across the wider local public sector has created a platform for the next phase: the transformation of local public services. At the close of the strategy there are a number of important achievements to record.

Highlights include:

- **£3.1 billion efficiency gains were achieved by end 2006/07**, exceeding the target for the spending review period a year early.
- **46% of Councils now working with their Regional Centre of Excellence** on improving procurement performance (from 14% in 2004)
- **54% (i.e. more than half of Councils) involved in joint commissioning** of services (not including health and social care). This compares with 31% in 2004.
- **38% of councils involved in a shared procurement function** with other Councils.
- **24% (i.e. a quarter of Councils) involved in sharing of other corporate functions.**
- 65% of Councils have adopted the **Small Business Friendly Concordat.**

7.7 Gershon Review

The 2004 Spending Review (SRO4) emphasised the need to apply the main elements of the Government's Gershon review to the local government sector. Indeed the Gershon efficiency savings exercise meant that savings were being sought across all Central and Local Government and the focus was on savings in the following core areas:

- The procurement of commodity goods and services
- The procurement of construction and property
- Back office activities (including corporate and support services)
- Transactional services (including council tax, benefits, payroll etc)
- Productive time (this includes changing job content so that more time is spent by frontline staff delivering frontline services)
- Key Sectors (for Districts – environmental services, culture and sport and social housing)

For 2008/09 to 2010/11 the Comprehensive Spending Review 2007 (CSRO7) changed the emphasis to net cash releasing VfM gains, thereby excluding non-cashable gains. Also, whereas in SRO4 the 2.5% per annum was additional (i.e. 2.5%, 5%, 7.5%), in CSRO7, the target was cumulative (i.e. 3%, 6.1%, 9.3%).

7.8 Equality Standard

The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation with the majority of its clauses coming into effect on that date. This Act brings together over 116 separate pieces of legislation, including the Race Relations Act 1976, Equal Pay Act, 1970, Sex Discrimination Act 1975, the Employment Equality Act (religion or belief regulations 2003) and Equality Act (sexual orientation) regulations 2007, plus other ancillary pieces of legislation.

The Act also created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in more detail in the paragraph below, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

In line with the Public Sector Equality Duty, public bodies such as NHDC must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not. The Public Sector Equality Duty has three aims that local authorities must meet, underpinned by specific duties designed to help meet them.

The general duty states that

'a public authority must, in the exercise of its functions, give due regard to the need to:

- ***Eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act.***
- ***Advance equality of opportunity between people who share a 'protected characteristic'. The eight characteristics are :-***

Age
Disability
Gender reassignment
Pregnancy and Maternity

Race
Religion or belief
Sex
Sexual orientation

- ***Foster good relations between those people who share a protected characteristic and those who do not' (such as tackling prejudice and promoting understanding)***

The details for contractor compliance with the Council's Equality requirements will be set out in further guidance that is produced separately to this strategy (the council's Equalities policy), though a summary is set out in the Procurement Principles above. Contractor compliance shall form part of any procurement contract signed on behalf of North Hertfordshire District Council, further advice should be sought from Legal Services or from the authority's Policy Team on this issue.

7.9 Sustainable Procurement Strategy for Local Government

This strategy document was published in November 2007 by the Improvement and Development Agency (IDeA), the Local Government Association (LGA) and the North East Centre of Excellence.

The strategy is complemented by an implementation route map, which was developed in partnership with the LGA. The route map describe the actions that need to be taken to achieve the objectives set out in this strategy. The national goal is for the UK to lead the EU in sustainable procurement.

The Sustainable Procurement Task Force was commissioned by DEFRA and HM Treasury to devise a national action plan to deliver the UK Sustainable Development Strategy (Securing the Future 2005) goal of making the UK a leader in the European Union on sustainable procurement.

The Task Force's recommendations, which are addressed to Government and the wider public sector, including local government, are grouped under the following six headings:

- **Lead by Example.** Make sustainable procurement a leadership priority and clarify ownership within government
- **Set Clear Priorities.** Streamline the framework and provide clarity on policy priorities.
- **Raise the bar.** Meet minimum standards now and set demanding goals for the future.
- **Build Capacity.** Develop capabilities to deliver sustainable procurement.
- **Remove Barriers.** Ensure budgetary mechanisms enable and support sustainable procurement.
- **Capture opportunities.** Smarter engagement with the market to stimulate innovation.

7.10 The Roots Review (February 2009)

During the 2007 Comprehensive Spending review (CSR07) period (2008-09 to 2010-11), English councils were collectively required to achieve £4.9bn cash-releasing efficiency gains. *Delivering Value for Money in Local Government* set an expectation that nearly 60 per cent of this total (£2.8bn) would arise through smarter procurement.

This independent Report highlights that substantial actions were undertaken by the Regional Improvement and Efficiency Partnerships (RIEPs) and others to enhance procurement efficiency. But more can be done. It set out practical recommendations that can be acted on by relevant organisations, such as the RIEPs. The funding for RIEPS has now ceased and RIEPS no longer exist but

there are some functions that are still available to assist local authorities with advice and guidance i.e. Improvement East.

7.11 Localism Act 2011

The Localism Act includes a 'general power of competence'. It gives local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited; they will not, for example, be able to impose new taxes, as an individual has no power to tax.

The new, general power gives councils more freedom to work together with others in new ways to drive down costs. It gives them increased confidence to do creative, innovative things to meet local people's needs. Councils have asked for this power because it will help them get on with the job. The general power of competence does not remove any duties from local authorities - just like individuals they will continue to need to comply with duties placed on them. The Act does, however, give the Secretary of State the power to remove unnecessary restrictions and limitations where there is a good case to do so, subject to safeguards designed to protect vital services.

7.12 Social Value Act 2012

The Public Services (Social Value Act) was passed at the end of February 2012. Under this act, for the first time, all public bodies in England and Wales are required to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area.

Social Value is a way of thinking about how scarce resources are allocated and used. It involved looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract. Social Value asks the question: 'If £1 is spent on the delivery of services, can that same £1 be used to also produce a wider benefit to the community?'.

7.13 The Community Right to Challenge 2012

The Community Right to Challenge was introduced by the Localism Act 2011 and came into force on 27th June 2012. It will allow communities to challenge Local Authorities to take over local services that they think they can run differently and better. The Right to Challenge could be used to run a wide range of local council services. To make use of the Right to Challenge, you must be a 'relevant body'. These are: voluntary and community groups, parish councils, groups of 2 or more staff from a 'relevant authority' (local councils and fire and rescue authorities). North Hertfordshire District Council have adopted a draft report to ensure that we follow the requirements set out in the guidelines.

Assessing Procurement Risk

