

# **POLICY AND RESOURCES CABINET BOARD**

**9 APRIL 2015**

## **FINANCE & CORPORATE SERVICES**

### **REPORT OF THE HEAD OF ICT AND PROCUREMENT**

**STEPHEN JOHN**

#### **SECTION A - MATTER FOR DECISION WARDS AFFECTED - ALL**

#### **APPROVAL AND ADOPTION OF THE PROCUREMENT STRATEGY**

##### **1. Purpose of Report**

To approve the content and adopt the Procurement Strategy for the Council.

##### **2. Background**

The Council's Corporate Improvement Plan and its associated improvement objectives, coupled with the challenging financial situation facing the Council, required that a Procurement Strategy for the Council be created covering the period 2015-2018. This strategy will also support the delivery of the Wales Procurement Policy Statement.

##### **3. Procurement Strategy – Organisational Fit**

The Council is a major buyer of supplies, services and works, with annual revenue spend in the most recent financial year, of approximately £115m, a Capital expenditure of approximately £62m and South Wales Trunk Road Agency (SWTRA) spend of approximately £30m.

This Strategy is part of the wider Council Strategy that aims to underpin and support the delivery of the Council's Corporate Improvement Plan, 'Rising to the challenge'.

The Procurement Strategy is not a technical document aimed solely at procurement staff but one that will be used by all Council staff and Service Managers to engage with the Corporate Procurement Unit in order to transform and deliver their services.

#### **4. Procurement Strategy – Key Points**

The Procurement Strategy:-

- Understands that delivery of the strategy is a corporate activity and that while specific elements fall directly inside the Corporate Procurement Unit, the majority of elements will demand service involvement
- Acknowledges the current and on-going budget situation and will continue to support the delivery of effective procurement across the Council
- Is aligned with the aims of the Wales Procurement Policy Statement
- Adopts a category management approach to procurement to improve value from the organisation's external spend on goods, services & works.
- Ensures that the Council contributes to the collaborative procurement agenda in Wales.
- Identifies the need to effectively utilise new and existing eProcurement tools to streamline current processes
- Embeds the principle of community benefits into the procurement activity of the Council to achieve the maximum environmental and social benefits achievable from our expenditure.
- Recognises that it is essential that all officers involved within the procurement process, have appropriate skills and knowledge to support the ever changing law and regulation in the procurement field.

#### **5. Recommendation**

It is recommended that Members approve the publication and adoption of the Procurement Strategy.

#### **6. Reason for Proposed Decision**

To update the Council's Procurement Strategy.

**7. List of Background Papers**

Procurement Files.

**8. Appendices**

Procurement Strategy 2015 – 2018 – Appendix A

**9. Officer Contact**

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# COMPLIANCE STATEMENT

## Approval and Adoption of the Procurement Strategy

### (a) **Implementation of Decision**

The decision is proposed for implementation after the three day call in period.

### (b) **Sustainability Appraisal**

#### **Community Plan Impacts:**

Economic Prosperity	Positive
Education and Lifelong Learning	Positive
Better Health and Well Being	Positive
Environment and Transport	Positive
Crime and Disorder	No impact

#### **Other Impacts:**

Welsh Language	Positive
Sustainable Development	Positive
Equalities	Positive
Social Inclusion	Positive

### (c) **Consultation**

Not applicable.

# Neath Port Talbot County Borough Council Procurement Strategy

2015 - 2018

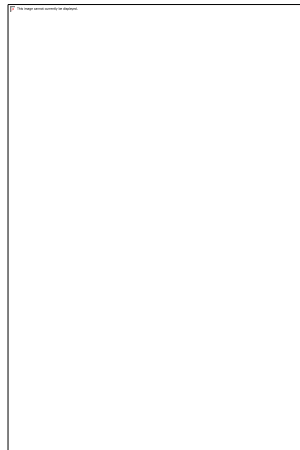


## Foreword

The strategy sets out our vision of how we aim to use strategic procurement, guided by the Wales Procurement Policy Statement to achieve value for money and efficiency savings, whilst at the same time improve the services we deliver to Neath Port Talbot citizens

These are challenging times and the Council has to adapt if it is to meet the demands of our citizens with ever decreasing resources.

Procurement has a major part to play in this process and I am confident that this strategy supports the Council's priorities and will provide a focus for all staff to engage with procurement in transforming and delivering their services.



Councillor Ali Thomas  
*Leader of the Council*

# Contents

## Executive Summary

### Section One – Setting the Scene

- 1.1 Purpose of the Strategy
- 1.2 The importance of Procurement
- 1.3 Aims

### Section Two – Delivering Corporate Objectives

- 2.1 Supporting the Corporate Improvement Plan
- 2.2 Key Priorities

### Section Three – Governance

- 3.1 Structure
- 3.2 Contract & Risk Management
- 3.3 Reporting & Accountability
- 3.4 Communication & Stakeholder Engagement

### Section Four – Category Management

- 4.1 Purpose & Aim
- 4.2 Outcomes of Category Management
- 4.3 Strategic Sourcing
- 4.4 Spend Management
- 4.5 Delivering Value for Money

### Section Five – Collaborative Sourcing

- 5.1 Purpose & Aim
- 5.2 Collaborative Bodies
- 5.3 Delivering Value
- 5.4 Ensuring Compliance

### Section Six – Technology

- 6.1 Purpose & Aim
- 6.2 Purchase to Pay
- 6.3 eSourcing
- 6.4 Innovation

### Section Seven – Community Benefits

- 7.1 Purpose & Aim
- 7.2 Delivering for the Community
- 7.3 Green Procurement
- 7.4 Equalities in Procurement

### Section Eight - People

- 8.1 Purpose & Aim
- 8.2 Capability
- 8.3 Training & Development

## Executive Summary

The Council is a major buyer of supplies, services and works, with annual revenue spend in the most recent financial year at the time of writing, approximately £115m, a Capital expenditure of approximately £62m and South Wales Trunk Road Agency (SWTRA) spend of approximately £30m.

The emphasis on procurement has increased in recent years, due to the need to continuously deliver value for money gained from our expenditure and also our ability to secure wider social, economic and environmental benefits for local communities and citizens' wellbeing.

This strategy underpins and supports the delivery of the Council's Corporate Improvement Plan, 'Rising to the challenge' which aims to:

- To improve outcomes for children in need and children looked after by improving the performance of the Council's Children and Young People Services Department
- To raise educational standards and attainment for all young people
- To maximise the number of adults who are able to live independently with or without support within the home of their choice within their community
- To support and invest in our town centres and communities to promote economic growth, regeneration and sustainability to maximise job opportunities and improve access to employment
- Increase the percentage of waste recycled and composted
- To Improve customer / citizen access to services and functions provided by the Council or on behalf of the Council and to improve the efficiency of those services and functions



# 1. Setting the Scene

## 1.1 Purpose of the Strategy

*'To enhance the capability and capacity of procurement across the Council, in order to deliver value for money, quality services, for local people'.*

The strategy aims to set out the vision of promoting effective procurement across the whole organisation in line with the Welsh Government's drive towards best practice. The strategy will assist all officers who are involved in commissioning and procurement to fully understand their role in the procurement process as well as providing a guideline for the effective interaction with the supply market.

## 1.2 The importance of Procurement

The Council spends over £200m per annum with external suppliers for the provision of goods, services and works.

All service areas of the Council depend on these external organisations to support their daily and long term operations. It is vitally important there is a clear procurement strategy in place for the management of these third party organisations and the goods and services they provide.

The decisions made on how and which suppliers are utilised will play a key role in the success of the Council's operation and this procurement strategy sets out to provide a clear guide for the best use of these resources.

## 1.3 Aims

The aims of this strategy are to:

- Establish a clear strategic direction for procurement activity within the Council
- Identify the key procurement policies
- Use procurement as a driver to deliver change within the organisation
- Support the delivery of front line services through the use of effective procurement

## 2. Delivering Corporate Objectives

### 2.1 Supporting the Corporate Improvement Plan

The Corporate Improvement Plan sets out the top priorities the Council will focus on over the next three years and are referred to as our improvement objectives. These objectives support the vision for Neath Port Talbot which is set out in the County Borough's Single Integrated Plan 2013-2023.

It is recognised that strategic and sound procurement is fundamental to the successful delivery of the Council's Corporate Plan as it;

- Has a direct impact on the expenditure of the Council
- Operates in an area of complex UK and European legislation
- Can have a direct impact on the supply market within the County Borough
- Assists in the delivery of sustainable and community targets
- Can help to deliver quality services to citizens

### 2.2 Key Priorities

In order to deliver the six priorities set out within the Corporate Improvement Plan, procurement will:

#### Safer Brighter Futures

Ensure that commissioners are procuring the right providers to deliver children's services and that any associated risk is comprehensively managed throughout the process.

#### Better Schools, Brighter Prospects

Improve the impact of external suppliers and contractors within schools, ensuring value for money is obtained to assist effective financial management.

#### Transforming Adult Social Care

Enable commissioners to deliver high quality, effective, sustainable services.

#### Prosperity for All

Support regeneration and maximise resources through the effective use of community benefit policy and develop the local supply chain and third sector to supply to the Council and wider public sector.

Reduce, Reuse, Recycle

Apply the principles and aim of the objective to reduce waste within the supply chain.

Better, Simpler, Cheaper

Simplify and standardise the procurement process through the effective use of technology. Collaborate locally, regionally and nationally to identify improved ways of engaging with external suppliers and third sector organisations.

## **3. Governance**

### **3.1 Structure**

Effective governance of procurement activity ensures that the work carried out is managed in line with the legal and regulatory frameworks that reflect best practice and effectively manage risk.

Efficient Procurement across the Council to drive improvements in service delivery will need to be actively supported by Cabinet Members and Senior Management

Each of the Council's departments is responsible for the procurement of supplies and services they need. The Corporate Procurement Unit acts a key enabler by providing a coordinating and advisory role to ensure a consistent approach to procurement across the Council.

### **3.2 Contract & Risk Management**

It is vitally important that the Council effectively manages risk within its supply chain to minimise the potential disruptions to service delivery, the Council's reputation and legal challenge.

The procurement unit will work with service departments to ensure compliance with all mandatory procurement regulations, procedures and policies and to identify key risks throughout the procurement process

We will ensure the contract procedure rules effectively reflect the needs of the Council and the governance of the Council's expenditure is managed appropriately.

We will actively promote the correct processes and procedures service departments should follow to achieve quality, value for money outcomes.

### **3.3 Reporting & Accountability**

The procurement unit will ensure that the actions and decisions it undertakes will be clear and transparent and reported through the appropriate channels.

Elected Members will be kept informed of the activity of the procurement department through regular updates to relevant cabinet boards and committees, informing them of contractual awards and procurement performance.

Regular reporting on key performance indicators such as compliance, savings and adoption of technologies will be relayed to senior management and any relevant strategic programme/project boards.

### **3.4 Communication & Stakeholder Engagement**

The Corporate Procurement Unit will develop and maintain stakeholder maps and associated communication plans in conjunction with service departments to improve and deliver value for money across the Authority.

## 4. Category Management

### 4.1 Purpose & Aim

Category Management is the best practice approach to managing procurement. It works by organising spend and resources into specific categories and provides a clear, structured framework aimed at delivering improved value.

Category management is an approach to procurement that delivers improved value from the organisation's external spend on goods, services and works by challenging what the organisation buys (demand) and improving how it is bought (supply).

Our aim is to ensure the Council's procurement activity is managed in a way to deliver value for money across the organisation whilst effectively managing risk

### 4.2 Outcomes of Category Management

Category Management will not be implemented as a formal function of the Corporate Procurement Unit due to the levels of resource required; however the principles of the approach will be adopted for all procurement activity.

It will deliver savings from improved procurement by ensuring there is:

- Knowledge of supply markets
- Understanding of demand and external spend
- A link between commissioning, procurement and contract management
- The need to drive value for money
- Innovation in the procurement process

### 4.3 Strategic Sourcing

Strategic Sourcing is the key process at the heart of category management. It is used to actively challenge current practices, and to stimulate the creative and innovative thinking that will generate value.

The Corporate Procurement Unit, through regular engagement with service areas, will aim to develop category and project specific sourcing strategies based on an understanding of our business needs and market analysis.

### 4.4 Spend Management

Accurate spend management information is crucially important when making informed procurement decisions. The procurement unit undertake ongoing categorised spend analysis for each financial year. This is currently conducted on a retrospective basis through third party software but with a view to moving to real time categorised data via the in house APEX system.

The Council will use this information to:

- Map the requirements of its procurement portfolio using Strategic Analysis Tools to help to identify the most appropriate strategies to take for each area of spend, depending on their risk and value.
- Identify areas where contracts are not in place that:-
  - > Provide opportunities to aggregate spend across the Council
  - > Highlight areas of spend where further collaboration could take place with other public sector organisations.
  - > Highlight opportunities to improve procurement operations and supplier performance

#### 4.5 Delivering Value for Money

The Council has a duty to ensure it can demonstrate value for money in its procurement processes. With the mounting financial pressures and the need to balance budgets, achieving value for money on the procurement of goods and services is of utmost importance to the Council.

Procuring goods and services at optimum cost is a key driver for the Council; however, this drive to reduce expenditure must be balanced against the need to achieve a high quality service. It is important that whole life costing of procurement decisions is undertaken ensuring that commercial, quality and social benefits are all incorporated into the procurement process.

In order to deliver these efficiencies, the Corporate Procurement Unit will:

- Further develop the use of technology within the procurement process in particular the use of procure 2 pay software.
- Increase the level of compliance with corporate contractual arrangements
- Improve the levels of contract management and develop more strategic supplier relationship management
- Provide a greater focus on demand management both operationally and strategically
- Investigate areas of untouched, non-contract spend.

## 5. Collaborative Sourcing

### 5.1 Purpose and Aim

Collaborative sourcing involves sectoral and cross-sectoral public sector joint working to deliver additional value within the procurement process.

There are many collaborative sourcing bodies across Wales and the United Kingdom. The Council is an active member of the Welsh Purchasing Consortium (WPC) and a member/customer organisation of the National Procurement Service (NPS).

Collaborative Sourcing is a key procurement policy for the Council and also a key objective for the Welsh Government to deliver further efficiencies for the public sector in Wales through increased economies of scale, improved use of procurement resources and sharing of knowledge.

### 5.2 Collaborative Bodies

The Council is an active member of the WPC, making use of a number of agreements across its contract portfolio and also acts as lead Authority on a variety of contracts.

The Council will also actively contribute to the National Procurement Service across its various customer groups and provide information as required to deliver standardised, effective all Wales arrangements.

The Council will also continue to be active in regional collaborative procurement, specifically in the areas of construction through the long established South West Wales arrangements and social care through the Western Bay Partnership.

There is a need to look outside of Wales in regards to collaboration in procurement and the Council will continue to track the work undertaken by the Pro5 buying organisations as well as Crown Commercial Services, identifying options to improve sourcing opportunities where possible.

### 5.3 Delivering Value

By contributing to the collaborative procurement agenda in Wales, value to the procurement process will be obtained by

- Aggregating our spend with other organisations to achieve leverage
- Standardising documentation and specifications to benefit the supply market and to improve bids
- Obtaining knowledge and developing expertise through joint working and information sharing.
- Reducing the contractual burden on the procurement unit.



#### 5.4 Ensuring Compliance

The Corporate Procurement Unit will support regional and local infrastructure projects subject to stipulations on the conduct of the procurement activity. This will ensure that any funding received will not be subject to threat due to a lack of adherence to public procurement rules.

## 6. Technology

### 6.1 Purpose & Aim

Technology in procurement has a key role in delivering improvements within the supply chain that can benefit both the Council and its suppliers. It can improve the monitoring and compliance of spend against contracts, provide robust management information and help streamline paper based processes.

Our aim is to effectively utilise new and existing eProcurement tools to streamline current processes, providing more effective management information to benefit both the Council and the supply market.

### 6.2 Purchase 2 Pay (P2P)

The process of ordering and subsequently being invoiced electronically through P2P software has been introduced into the Council's operation. This has added to the use of purchase cards as a method of electronic payment, which has subsequently expanded with the implementation of P2P, as it provides a complementary method of procuring electronically.

The Procurement Unit will continue to implement and make mandatory the use of P2P software across the whole of the Council in line with the eProcurement strategy and associated roll out plan.

### 6.3 eSourcing

The use of technology through eSourcing to manage the tendering process has been utilised for several years on a select category of tenders. As part of the 2015 Public Contracts Regulations, the electronic access to documentation is mandatory for above threshold procurements. As a result of this and the ongoing development of eSourcing, the procurement unit will;

- Ensure all documentation is available electronically on above threshold procurements.
- Improve the use of eSourcing for low value quotations
- Adopt and develop the Welsh Government's Supplier Questionnaire Information Database (SQUID) further in to the eSourcing process
- Educate technical officers in the use and benefits of the software
- Continue and improve on the amount eSourcing software is used for higher value, strategic projects.

## 6.4 Innovation

The Procurement Unit will further develop the use of technology to streamline the procurement process by making use of alternative routes to market such as the utilisation of Dynamic Purchasing Systems and the development of eAuctions where applicable, in various categories of spend.

## 7. Community Benefits

### 7.1 Purpose & Aim

The Welsh Procurement Policy Statements Principle Four states “Delivery of social, economic, and environmental benefit through effective application of community benefits policy must be an integral consideration in procurement”.

The aim of this strategy is to embed this principle into the procurement activity of the Council to achieve the maximum environmental and social benefits achievable from our expenditure.

### 7.2 Delivering for the Community

The amount of external spend with suppliers generated by the Council can be a major driver for local economic development and help to create a prosperous community. Increasing the amount of local Small and Medium Size Enterprises (SMEs) that can bid for and be successful in winning Council and wider Welsh Public Sector contracts, is a key responsibility of the Procurement function.

In addition to supporting local SMEs, the development of Community Benefits into Council contracts can help support the local communities through the creation of employment and training opportunities as well as delivering other positive outcomes for the community.

By establishing a clear process and approach to Community Benefits within the procurement process, this will not only deliver social and economic benefits but also commercial gain to the Council, the Community & the local supply chain.

In order to maximise the influence the Council’s Procurement can have on the local economy, we will;

- Actively promote the opportunities tendered by the Procurement Unit through organisations such as Business Wales.
- Encourage interest in contracts through the use of supplier days.
- Support and educate the local supply market in how to tender and win Council business
- Include social clauses, where appropriate in Council tenders to assist in the delivery of community benefits.
- Advertise low value contract requirements through the National Procurement Website to increase the visibility of contract opportunities to local suppliers.
- Realise the impact and benefits using the Community Benefit measurement tool.

### 7.3 Green Procurement

Green Procurement considers the environmental aspects, potential impacts and costs, associated with the life cycle assessment of goods and services being acquired. In order to fully consider these issues within the procurement process, we will;

- Attempt to control through appropriate specifications, the purchase of goods and services which have a direct impact on the environment
- Increase use of the Welsh Government’s Sustainable Risk Assessment tool.
- Consider the environmental performance of all suppliers and contractors, and encouraging them to conduct their operations in an environmentally sensitive manner

### 7.4 Equalities in Procurement

Neath Port Talbot Council is committed to promoting a fair and equal society. The general duty of the Equality Act 2010 states that “Public Bodies have a statutory duty to eliminate discrimination and promote equality in all they do – including procurement”.

Considering equality issues in procurement is not only about satisfying legal obligations, but can also help deliver higher quality services and achieve better value.

The Council will continue to take equality issues in to consideration in procurement by:

- Undertaking Equality Impact Assessments where appropriate.
- Including standard equality questions in tender documents and Approved List application forms.
- Ensuring that contract opportunities are easily accessible to SMEs and the Third Sector. This will improve supplier diversity, which can contribute to better quality public goods and services.
- Working with suppliers to influence their equality practices and achieve greater transparency.
- Developing specifications that take in to account Welsh Government and Equality & Human Rights Commission guidance.
- Providing full and open access to tender documentation and simplifying access criteria in line with the Public Contracts Regulations.

## 8. People

### 8.1 Purpose & Aim

In order to deliver effective procurement for the Council it is essential that all officers involved within the procurement process, have appropriate skills and knowledge to support the ever changing law and regulation in the procurement field.

### 8.2 Capability

The Council has a limited number of professionally qualified procurement staff in place. With this in mind, the Corporate Procurement unit will play an active role in promoting good procurement practice across the Council through effective stakeholder communication and management.

This will be done by:

- Effectively managing the capabilities of the existing resource within the Procurement unit using structured forward work plans that are developed in line with Directorates.
- Developing standardised, compliant procurement documentation to assist service departments where procurement is conducted outside of the central team.
- Develop online guidance and resources to promote sound procurement practice in line with legislative requirements.
- Make use of external staffing resources such as specialist consultancy and training services where costs allow.

### 8.3 Training & Development

For effective procurement activity to be delivered, continuous development of procurement and non-procurement staff must be undertaken. This will be achieved by;

- Continue to support procurement staff to achieve member status of the Chartered Institute of Purchasing & Supply.
- Ongoing training in regards to development in procurement law and legislation.
- Address capability gaps of procurement staff and support staff in developing soft skills as well as practical procurement skills and knowledge.
- Continue to provide a training programme for non-procurement staff to increase knowledge and awareness of the procurement process and legislation.